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**The quality of local governance and development
under decentralization in the Philippines**

by

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The quality of local governance and development under decentralization in the Philippines

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Abstract

This paper attempts to trace and find evidence for the linkages between the quality of governance, and development at the local level since the adoption of the fiscal decentralization policy in the Philippines in 1991. The concern since then over the links has been prompted by the observed persistent imbalances in local development – across and within regions – which many believe is due to the less than prudent exercise of the devolved powers and responsibilities – hence, low quality of local governance. To be sure, the decentralization has led to not a few innovations in local service delivery and financing, and in increased people’s participation in local civic activities. However, the spread of innovation has been slow and there has been less than genuine participation in the mandated local special bodies. The uneven quality of local governance thus may have contributed to imbalanced regional growth. Evidence also indicate that the initial level of economic conditions determine the acceptable quality of local governance, which explains why certain poor areas remain in the vicious circle of penury and misgovernance. To help improve the quality of local governance, some policy inputs are suggested.

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I. Introduction

This paper attempts to trace the linkages between the quality of governance, and development at the local level in the Philippines under decentralization. The concern over the links has been prompted by the observed persistent imbalances in local development – across and within regions – despite the fiscal decentralization policy adopted since 1991. To explain this phenomenon, others contend that what is more critical to regional growth than the increased finances and devolved functions of local government units is their prudent exercise of such powers and responsibilities – hence, local governance. If findings turn up to buttress this argument, the policy implication for a balanced regional growth becomes clear: the overall quality of local governance in underdeveloped regions should be improved under decentralization.

Indeed, the contention has been partly supported by recent studies. In particular, Manasan and Chatterjee [2003] noted that the overall convergence in regional development that happened between 1975 and 2000 slowed down during the sub-period 1987-2000. In addition to those cited in that study, one possible reason why some provinces during the period 1988-97 failed to catch up is the initial dominance in these areas of political dynasties that are revealed to be inimical to subsequent growth [Balisacan and Fuwa 2004]. This is because elite capture fosters between the governors and the governed a patron-client relationship, but which may be weakened however as economic opportunities widen. Thus, many advocate strengthening each region's trade linkages, which Pernia and Quising [2003] cited as critical to the superior economic and social development of Metro Manila, Central Luzon, Southern Tagalog and Central Visayas Regions. In fact, a country's openness to trade, by fostering competition and growth, is considered a hallmark of good governance in some cross-country studies on institutions and growth.¹

Unquestionably, the skewed development of Philippine regions during the last thirty years is the outcome of a myriad of factors including the quality of local institutions. Local government units (LGUs) in a region however control only a subset of these development factors. Yet, the anticipated progress under decentralization – and, accordingly, the LGUs' culpability for the unmet expectations - rests on the assumption that the growth factors under their influence are at least as important as those of the national government, or what nature or history has bestowed. However, neither theory nor available evidence supports the thesis that the country's fiscal decentralization policy alone is sufficient to spur overall or balanced growth.

While not sufficient, the country's decentralization policy may be consistent with economic growth or improvements in the quality of local governance. After all, it is during the last 15 years that the country has seen perhaps the greatest proliferation of local innovations and the so-called *best practices* in public service delivery [Brillantes 2003]. These innovations are believed to have yielded efficiency gains and boosted local welfare. Over the same period also, many LGUs established special consultative bodies or processes to strengthen or complement the ones mandated under the Code. Again, these transparency-*cum*-accountability measures, which facilitate information exchanges, are also expected to lead to more suitable public provisions. Further, these participatory processes in themselves are prized for being inclusive and fostering social capital. Thus, the links between local governance and development may be real.

Yet, the issue regarding the development payoffs of the governance features, as opposed to the purely fiscal features, of the Local Government Code (LGC) is far from settled. To each *best practice* in local administration, seemingly there corresponds at least one dismal story of local corruption, incompetence or gross wastage of fiscal resources. Near to places where fruitful working relationships are forged between local government units (LGUs) and non-government organizations (NGO) or people's organizations (PO) are areas where enmity rather than cooperation prevails between the two parties. When decentralization advocates present cases of genuine people empowerment, the decentralization skeptics cite instances of local elite capture of LGUs. Between these two positions, presumably and as is often the case, lies the truth.

This paper revisits the issues by trying to answer the following questions. Has the quality of local governance improved under decentralization? If so, has it led to local development? What policies can be adopted to enhance local governance quality so that a more balanced regional can be achieved? To answer

¹ See the survey of studies on governance and economic performance by Dethier [1999].

these questions, past studies are reviewed and available evidences are examined. The focus here is on provinces, cities and municipalities. Additionally, the Autonomous Region of Muslim Mindanao is briefly examined as a special case because of its persistent underdevelopment and its uniqueness among regions for having its own regional government.

However, the analysis is constrained by the lack of appropriate data. Official statistics on development indicators, government outputs and processes necessary to measure the quality of local governance are not uniformly available. Hence, it is not possible beyond the Human Development Index (HDI) to construct other governance measures for all the provinces, much less for municipalities and cities. Next to the HDI, the government's Local Performance and Productivity Measurement System (LPPMS) reportedly has the most extensive governance data but these have not yet been made available to the public. Other official LGU data are scarce, especially for years before 1991. On the other hand, secondary data collected under different research projects are anecdotal and more qualitative in nature, rendering them more useful for case studies. These data constraints therefore make it difficult to measure local governance quality and tease out its direct development payoffs, amidst changes in national governance and policies and other socioeconomic factors that likewise influenced the pace of regional development during the last 15 years. Thus, only broad conclusions and policy guidelines are drawn from the analysis.

The paper suggests that the sluggish regional development during the last 20 years is partly due to the overall low levels and quality of local public services, arising in turn from weak local governance mechanisms. The quality of local governance is low overall and uneven across regions because of poor compliance with the mandated establishment of local consultative bodies and the adoption of the other governance features of the LGC of 1991.

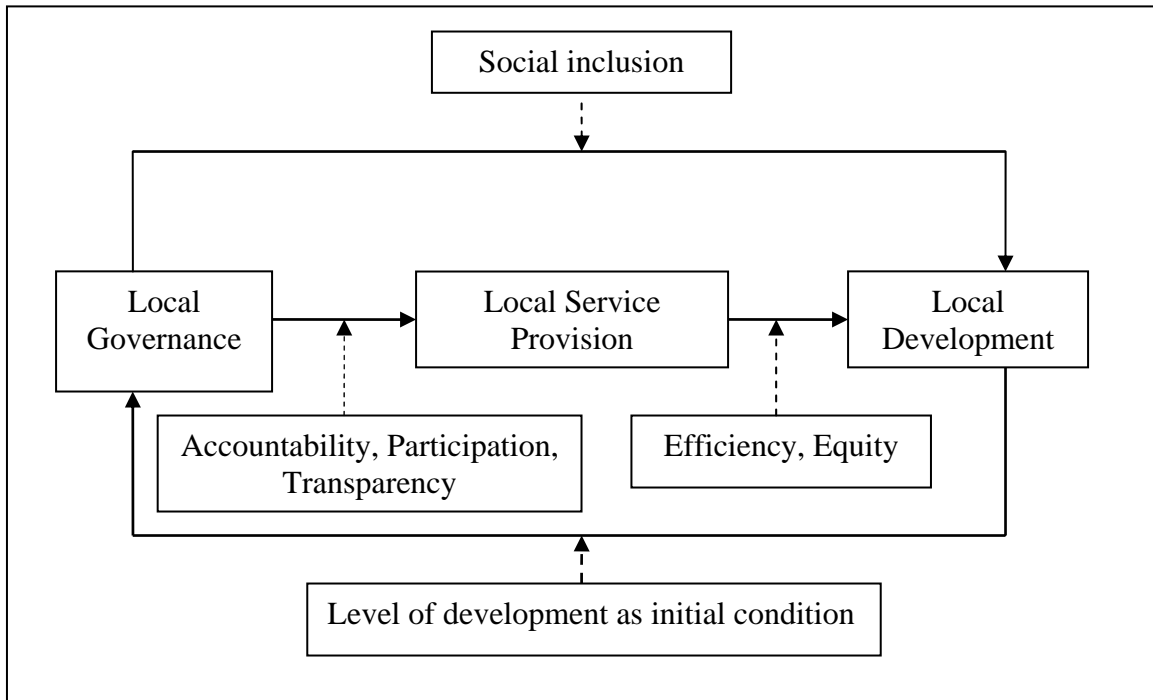
It is further suggested here that the provinces' initial level of development may have determined the acceptable quality of governance. That is, in poor provinces redistributive programs or patronage are expected and demanded of local leaders. Also, the ballot box appears to be a blunt accountability mechanism due to weaknesses in election laws and procedures. Thus, bad performers are not adequately punished. To be sure, the elections also reward good performers since many of the innovative local leaders have won their re-election bids. It is also noted here that the innovations made by these outstanding leaders are not merely technical or procedural, they are also highly participative. Thus, where there is wide people's participation and competent leadership, the levels and quality of local public services have been noted to improve. Rightly so, the numerous best practices and local innovations are proofs that decentralization can work. However, the spread of innovation under decentralization is slow. Several policy suggestions are offered to speed up the spread of innovation and achieve a more balanced regional growth.

The rest of the paper is organized as follows. Section II presents the analytical framework for tracing the linkages between governance quality and local development. In Section III, the governance features of the Local Government Codes of 1983 and 1991 are compared. Then a review of the selected governance quality measures is made in Section IV. In Section V, the evidences on the direct effects of governance on local public services and on local development are assessed. Section VI examines the establishment of local special bodies in cities and presents some findings on the direct welfare effects of local participation. The importance of the initial level of development as a possible explanation for the low quality of governance in some areas is discussed in Section VII. Section VIII contains the conclusions and policy recommendations.

II. Linking governance and development under decentralization

Economics and political science provide the theoretical basis for the linkages between governance and development under decentralization. In particular, the theory of fiscal federalism posits efficiency gains in the provision of local public goods under decentralization, which then leads to development. Implicit in this theory is a governance mechanism that commits and binds local government officials to promote their constituency's welfare. Where such mechanism is weak and, thus, the people not empowered, there arise government failures, since local government units are susceptible to capture. As recent reviews of developing country experiences suggest [Bird and Vaillancourt 1998; White and Smoke 2005], fiscal decentralization alone is not sufficient to achieve local development.

The literature identifies three linkages between local governance and development. The first linkage runs from local governance to fiscal decentralization and then from fiscal decentralization to local development. The second linkage is a direct one that indicates the intrinsic value of governance; for example, democratic participation or social inclusion is deemed development in itself. The third is a feedback link from local development to governance, which seems pertinent but may be in fact more unsettling than the other two linkages for its implications. The diagram below illustrates the three linkages.²



In principle, fiscal decentralization should lead to development. Local welfare should improve because then the provision of public goods is delegated to those who have better information [Oates 1972]. Further, the information problem in the case of local public goods is avoided when local citizens are allowed to “vote with their feet” [Tiebout 1956]. As it were, politicians are entrepreneurs who offer a menu of local taxes and expenditure programs over which the mobile population could make a choice. Put differently, if the local people have a “voice”, then they can choose that political agent who could deliver their desired tax-expenditure mix [for evidence, see Faguet 2004]. In equilibrium, no citizen expects to have a greater welfare by going anywhere else or electing another politician. Thus, election outcomes should be correlated with the performance of local officials and, ultimately, with local development.

However, the market analogy to the selection process of political agents is less than perfect. For one, many local public goods are not infinitely divisible or are lumpy investments; thus, the supply of local public services would seldom match perfectly individual preferences. Further, the local government, which the successful political entrepreneur takes over, often becomes like a multi-product monopoly due to economies of scale and scope in the provision of various local public services that cater to different population groups. This invariably makes collective decision making a multi-issue one, and, according to the median voter theorem, unlikely to be efficient. Hence, the voter does not enjoy full *consumer sovereignty*. His choice is seldom decisive; but then, he also cannot be completely denied the benefits of local public services. Consequently, voters are likely to free-ride and participate passively in civic activities.

² This framework is adapted from World Bank [2004a].

The political entrepreneur is also less accountable for his actions than a market seller for his. Whereas a seller's performance may be assessed with his firm's profits, a politician's contribution to changes in social welfare is not easily measured or valued. Thus, without estimates of the consumer surplus for a particular public good, the efficiency of a political entrepreneur is not easily ascertained even if his cost function is known. Moreover, indications of his cost functions – such as education and professional background, managerial competence, political savvy or pro-poor sentiments – are seldom fully reliable, especially when the mechanisms for binding politicians to their campaign promises are nonexistent or weak. Hence, elections are unlike auctions which enable the public to extract the monopoly rents from the franchise holder.

Thus, it is not surprising that the adoption of fiscal decentralization policies in developing countries has not led fully to the anticipated local progress. Bird and Vaillancourt [1998] cites two broad reasons. First, these policies are flawed in design and execution, partly because they are patterned after the policies in other countries with dissimilar local settings. The flaws include central fiscal transfers that are either missing or inadequate to address interjurisdictional spillovers, “race-to-the-bottom” tax or expenditure competitions among local governments, and funding gaps for the devolved expenditure functions. In some countries, decentralization policies had been also introduced in a “big-bang” manner that resulted in service disruptions and in confusions and dissatisfaction among the local people.

According to Bird and Vaillancourt [1998] also, the second major reason pertains to the less than ideal condition in which these policies are introduced. Specifically, in many developing countries, local citizens are not aware of fiscal revenues and the cost of providing public services. Also, a select few make fiscal decisions, often without public consultations. Moreover, election laws and processes are easily flouted and, therefore, allow incompetent or dishonest politicians to be elected. Since the governance conditions – participatory, transparent and accountable local authorities and processes – are not met, local fiscal decisions are found to be more likely to promote narrow vested interests than the general welfare.³ Hence, unless democratic participation in local fiscal processes is assured, the decentralized provision of local public services is unlikely to be efficient or equitable. Without the efficiency or equity gains, local development cannot be realized, other things being constant.

Thus, the quality of local governance bears on the efficiency and equity of local public services, and, therefore on local development. In practice, the local government provides local public services that have both direct and indirect bearing on public welfare. On the one hand, government facilities for primary health care, nursery and pre-school education, and social welfare are among those that impinge directly on local public welfare. On the other hand, local regulatory or tax ordinances that promote local businesses and employment opportunities, or that control pollution or congestion are among those that have indirect welfare benefits. Local governance conditions both types of public services.

Quite apart from the instrumental value of governance, however, it is viewed in itself as an important aspect of development. According to Sen [2001], political liberties and democratic rights may be considered constituent components of development. Thus, the participation of traditionally marginalized groups in both economic and political spheres alone signals improvement in the quality of lives of these groups. Necessarily, as well, local welfare improves with wider democratic participation or greater social inclusion if accomplished under fiscal decentralization. Further, recent studies also show that democratic participation helps build social capital under decentralization [de Mello 2000], and that it is associated with more equal distribution of income [Mueller and Stratmann 2003]. Also, there is evidence that social capital is linked to the quality of government [Knack 2000]. These intrinsic benefits from wider participation or social inclusion are captured by the second link between local governance and development.

The third link - a feedback loop – suggests that the standards of governance may itself be endogenous to the growth process. In other words, it is possible that the quality of governance is low precisely because the level of development is low. As Leftwich [1993] points out:

³ Local capture is one of the “dangers of decentralization” [Prud'homme 1995].

“In the 1960s it was widely assumed in comparative politics that democracy was a concomitant of ‘modernity’ and hence an outcome of socioeconomic development, not a condition of it. Evidence from the West and elsewhere, liberal democratic institutions, declining social inequalities, a flourishing civil society, a widening policy consensus, secular public bureaucratic ideology and the extension and institutionalization of civil and human rights have seldom *preceded* economic development based on industrialization and urbanization.”

Thus, it is possible that a province would have low quality of governance due to the low level of educational attainment and overall poverty of its constituents, who might have expected and accepted mediocre performance from their government officials. In this scenario, the more demanding constituency – the educated or wealthy minority – would have either migrated or be content to participate passively in civic affairs. This state of affairs would entrap underdeveloped provinces in a vicious circle of corruption and poverty. In underdeveloped regions, therefore, initiatives to improve the quality of local governance alone – especially when the standards are imposed from the outside – are unlikely to work. Such initiatives would have greater welfare impact if they also widen the economic opportunities for the local population. Thus, it is often argued for example that agrarian reform in rural areas may be necessary to break the monopoly of the feudal lords over the local government. Without this intervention, the local government will be hard put to promote the general welfare.

III. Governance under the Local Government Code

The links between the quality of governance and development are empirically verifiable as well in the case of the Philippines. This is because the Local Government Codes of 1983 and 1991 both contain provisions to strengthen local fiscal autonomy and governance mechanisms. To ensure that LGUs become effective with their expanded fiscal powers and resources, both Codes require them to be accountable, transparent and participative in their processes and procedures. Both Codes also serve to reinforce other laws that push *good* governance practices in the public sector.

The governance features of the LGCs of 1983 and 1991 can be broadly categorized under the key elements of good governance proposed by the Asian Development Bank. These elements, as briefly described here, are accountability, participation, predictability and transparency. Accountability is desired to make public officials “answerable for government behavior, and responsive to the entity from which their authority is derived.” Partly to ensure this, the participation of beneficiaries and groups affected by government decisions becomes imperative – i.e., the citizens must be involved in the development process. To commit the government to its promises, the laws, regulations and policies it adopts must also be predictable. The fair and consistent application of these laws, regulations and policies is guaranteed when these are clearly enunciated and fairly known to the citizens – i.e., transparent.

The key governance features of the LGCs of 1983 and 1991 are listed in Table 1. The principal provisions of the 1983 LGC which promote accountability among local officials are the term of office, recall and disciplinary actions against sub-par performance, and penal provisions for cases involving conflict of interest. These accountability measures are further strengthened in the 1991 LGC which reduced the term of office from six years to three years, and from an unlimited number of terms that the same person can be elected to the same office to a maximum of only three consecutive terms. Also, local fiscal administrative duties and responsibilities are now more explicitly laid out, including the requirement for submission of an Annual Report by the mayor to the local Sanggunian (legislative assembly).

Compared to 1983 LGC, the 1991 LGC also goes further in enhancing transparency. The former mandates that local officials submit their Statements of Assets and Liabilities (SAL) and prohibits them from engaging in business transactions directly with the local government. More strictly, the LGC of 1991 requires both the SAL and full disclosure of the business interests of the members of the *Sanggunian*. In addition, government procurement is now arranged through the Local Prequalification, Bids, and Awards Committees.

Table 1. Governance features of the Local Government Codes of 1983 and 1991

Features	LGC of 1983 (Batas Pambansa Blg. 337)	LGC of 1991 (Republic Act No. 7160)
Accountability	<ul style="list-style-type: none"> ▪ Term of office (6 years; unlimited term) ▪ Recall (only once; not within 2 year after election or 1 year before regular election) ▪ Suspension and removal of an elective official (unauthorized absence for 3 consecutive months) ▪ Penal provisions (engaging in business transactions or possession of pecuniary interest) 	<ul style="list-style-type: none"> ▪ Limit of elective officials (3 years; 3 consecutive terms) ▪ Disciplinary actions against an elective official (unauthorized absence for 15 consecutive days) ▪ Recall (only once; not within 1 year after election or 1 year before regular election) ▪ Taxpayer’s remedies ▪ Local fiscal administration (budgets, expenditures, disbursements, accounting and accountability) ▪ Property and supply management (procurement and disposal) ▪ Penal provisions (more comprehensive) ▪ Submission of Annual Reports by the local chief executive to the Sanggunian
Transparency	<ul style="list-style-type: none"> ▪ Filing of statement of assets, liabilities and property holdings of all officials ▪ Prohibitions on officials to engage in business transactions or possess pecuniary interests 	<ul style="list-style-type: none"> ▪ Local Prequalification, Bids and Awards Committee ▪ Full disclosure of financial and business interests of Sanggunian members ▪ Filing of Statement of Assets and Liabilities of all officials ▪ Effectivity of Ordinances and Resolutions (after publications and posting)
Participation	<ul style="list-style-type: none"> ▪ Local School Boards ▪ Barangay Assembly ▪ Katarungang Pambarangay ▪ Kabataang Barangay ▪ Leagues of Local Government Units and Elective Officials ▪ Municipal Planning and Development Coordinator (promote citizen participation through development planning at the barangay level) 	<ul style="list-style-type: none"> ▪ Relations with People’s and Nongovernmental Organizations ▪ Local School Board (include Sangguniang Kabataan, non-academic personnel) ▪ Election of Sectoral Representatives in the Sanggunian ▪ Local Health Board ▪ Local Development Council ▪ Local Peace and Order Council ▪ Local Initiative and Referendum ▪ Barangay Assembly ▪ Katarungang Pambarangay ▪ Sangguniang Kabataan ▪ Leagues of Local Government Units and Elective Officials

Sources: Ministry of Local Government (1983), *The Local Government Code, Batas Pambansa Blg. 337*. Jose N. Nolleto (1992), *The Local Government Code of 1991*.

Arguably, it is in the participation aspect that the quality of local government can be expected to advance furthest under the current decentralization policy. Particularly, the number of mandated local special bodies has increased from one (Local School Board) to four, namely: Local School Board, Local Health Board, Local Development Council, and Local Peace and Order Council. Mandatory membership in these special bodies extends to representatives from non-government organizations and other civil society groups in the area. In fact, the role ascribed to NGOs and people’s organizations under the LGC of 1991 include cooperative arrangements with LGUs in “the delivery of basic services, capacity building and livelihood projects...”.

**Other laws that promote transparency in
and accountability of local officials**

1. Republic Act No. 3019 As Amended – *Anti-Graft and Corrupt Practices Act* (Approved: August 17, 1960).
2. Republic Act. No. 1379 – *An Act declaring forfeiture in favor of the State any property found to have been unlawfully acquired by any public officer or employee and providing for the procedure therefore* (Approved: June 18, 1955).
3. Republic Act No. 6713 – *An Act establishing a Code of Conduct and Ethical Standards for Public Officials and Employee, to uphold the time-honored principle of public office being a public trust, granting incentives and rewards for exemplary service, enumerating prohibited acts and transactions and providing penalties for violations thereof and for other purposes* (Approved: February 20, 1989).
4. Republic Act. No. 6770 – *The Ombudsman Law* (Approved: November 17, 1989)
5. Republic Act No. 6735 – *Initiative and Referendum Act* (Approved: August 4, 1989).

Source: Nolleto, J. N. (1992). *The Local Government Code of 1991*.

Thus, it is implicit in the LGC of 1991 that good governance is critical for local fiscal autonomy to spur local development. While certain governance provisions of the current LGC are mandatory, such as the constitution of the local special bodies, term limits and filing of SALs, the effectiveness of these provisions also depends on compliance and implementation, and evaluation. Surely, adjustment problems were encountered during the early years of the devolution. Presumably, these transitory problems are now over, and the nearly fifteen years of decentralization experience should provide enough evidence to tease out the effects of governance on local development under decentralization.

IV. Measuring the quality of local governance

Providing proof that a better quality of local governance was indeed reasonably expected, there has been since 1992 a plethora of proposed quality measures. According to the President's Private Sector Council on Governance Reform, by 2002 the suggested measures had numbered 32 broken down into: 19 are quantitative indices, 4 are customer satisfaction surveys, and 9 are qualitative performance measures used for project monitoring (Appendix 1). Recent additions to the list are the Good Governance Index of the National Statistical Coordination Board and the Integrated Population-Development-Environment Indicators for Local Government Units [Cabrido, Rebullida and Layser 2000]. One could add to the list the Human Development Index of the Philippine Human Development Network and the Sentrong Sigla Awards of the Department of Health. Like the Galing Pook Awards, both confer honor and recognition to local leaders under whose governance notable progress in health, education and economic conditions has been achieved. A list of selected governance quality measures and their features is presented in Table 2.

It can be supposed that the motivation behind these measures is partly to create a better informed and educated voters as well as political leaders. More importantly, these measures, especially the recognition and awards schemes, can stimulate yardstick competition among local governments in terms of their responsiveness to the needs of their constituents. Several of the proposed measures focus on the monitoring of specific advocacy concerns like the environment, forestry, coastal resources and financial administration. Others are developed as diagnostic tools for identifying weaknesses in local government capacities or operations. Altogether, the proposed measures cover the whole gamut of governance concerns, from inputs through processes and outputs, and to outcomes.

In terms of the target areas, most of the proposed governance measures are developed for provinces, cities and municipalities. Many of these have also been piloted and adopted. The barangay-level measures

are the Minimum Basic Needs (MBN) Index⁴ and the Integrated Rural Accessibility Planning (IRAP Phase III). The MBN involve a census of households, while the IRAP involves an enumeration of public facilities and infrastructures in the barangay. However, many of the public problems captured by the MBN and IRAP indicators are better addressed by higher-level government.

There is no regional-level governance measure thus far, not even for ARMM which is unique in having its own regional government. Constructing a regional-level governance quality index for the other regions is difficult because there is no single agency other than the national government that manages government power and authority. The regional directors of the national government agencies have narrow powers and circumscribed responsibilities. The Regional Development Councils, on the other hand, are just coordinating bodies, with little political authority to exercise control over the component provinces, cities, municipalities and barangay.

It might be supposed further that out of this welter of governance measures and after 13 years of decentralization experience, a *sufficient statistic* for good local governance can be developed. Surely, a pruned list of indicators could help minimize the public confusion over the various, but sometimes conflicting, awards and indices, and reduce the social costs of building and maintaining a governance database. Unfortunately, there is no such short list yet in sight. There are both technical and political economy reasons why an earlier attempt by different donor agencies to consolidate and coordinate the development of LGU performance benchmarks had not prospered as desired.

Arguably, foremost among the technical reasons is the dearth of suitable data that would permit comparison among the proposed measures. Even for those indicator systems that have been field-tested, their pilot designs did not yield comparable results. Some indicator systems had been piloted simply by collecting and processing local data to generate a score in the governance index, with no benefit of a follow-through; others involved ticking off a checklist of what an LGU must have or do, with no summary statistic; and a few others went as far as evaluating the impact on local welfare of the indicator system introduced in the pilot area. Some are national in scope like the Filipino Report Card Survey; others target local units yet seldom have the same set of pilot LGUs, or cover the same time periods.

Moreover, the existing measures have varying coverage and emphasis on governance elements. At the high end, the Enhanced Local Productivity and Performance Measurement System has 91 input and process indicators, and 100 output and outcome indicators. In between are the Minimum Basic Needs Index which has 33 indicators; the Good Governance Index with 12 sub-indices; and the Governance Quality Index with 25 indicators. At the other end, are the Human Development Index (HDI) which has only three component indicators and the Governance for Local Development (GOFORDEV) Index which has 10.⁵

⁴ For an evaluation of the MBN as indicators of governance, see Bautista [2002].

⁵ While most LGU governance measures are conceptually valid, a number are not suitable to the Philippine context, nor computationally sound. Perhaps finding their inspiration from cross-country studies on governance and growth, many proponents readily adopt national-level indicators in their assessment of local governance quality. For example, it is unfair to say that the rule of law is not upheld by an LGU in whose area the crime rate soars and the backlog of cases is long since the police and the courts are both controlled by the national government. Further, a common tendency among most proponents is to measure all, unmindful of the cost and tedium of compiling and processing various data and presenting them without unduly taxing the end-users.

Table 2. Selected indicators of the quality of governance of local government units*

Name	Main Objective or Purpose	Indicators	Coverage		Data used, sources	Proponents
			LGU	Year		
Local Productivity and Performance Measurement System (LPPMS)	Develop efficiency measures for an improved delivery of basic services at the local government level	Indicators on inputs, process, output and outcome	Piloted in selected cities and municipalities, now implemented nationwide	1998-present	LGU data; self-ministered scoring	Department of the Interior and Local Government, and UNDP
Minimum Basic Needs (MBN)	Measure extent of unmet basic needs	33 indicators on survival, security and enabling environment	Piloted in selected barangays in poorest provinces	1994-present	Special household survey	Department of Social Work and Development
Human Development Index (HDI)	Measure human development	3 indicators on life expectancy, literacy and family income	All provinces	1991, 1994, 2000	FIES, gov't statistics	National Statistical Coordination Board, Philippine Human Development Network
Governance Quality Index (GQI)	Develop measurable indicators of good governance at the local government level; Evaluate their local applicability and acceptability; Assess their usefulness for monitoring and evaluating sustainable human development	25 indicators on (i) revenue generation, (ii) beneficiaries satisfaction with social services, and (iii) accountability measures	Piloted in 3 provinces, 2 cities, 3 municipalities	1998	LGU data; survey	R. Manasan, E. Gonzales, and R. Gaffud; National Economic and Development Authority, and UNDP
Filipino Report Card on Pro-Poor Services	Measures the people's perspective on pro-poor services	Indicators on client's satisfaction with basic public services	Nationwide	2000	Nationwide survey	World Bank
Good Governance Index (GGI)	Measure the quality of local governance	12 indices on economic, political and administrative governance	All provinces	2000-2002	LGU data	National Statistical Coordination Board
Philippine Cities Competitiveness Ranking	Determine the competitiveness of selected local cities	Indicators on the cost of doing business, human resource endowment, infrastructure, linkages with growth areas, quality of life, dynamism of the local economy, responsiveness of the local government	Selected cities	2000; 2002	LGU data; survey of businessmen and investors	Department of Trade and Industry (2002); Philippine APEC Study Center (20000)
Governance for Local Development Index (GOFORDEV)	Measure the extent of good governance and local development	10 indicators on the needs and provision for social services and the extent of participation and consultation	Piloted in 12 cities and municipalities; adopted in 40 other LGUs	2001-2004	LGU data; household survey	Philippine Center for Policy Studies, Ford Foundation

Table adapted from AIM [2002]. Additional materials from BLGS [2002], World Bank [2001], Manasan, Gonzales and Gaffud [1999], Bautista [1999] and Capuno [2000].

Thus, only a broad comparison in terms of consistency and impact can be made among selected governance measures for which data are available. The HDI is perhaps the most popular measure for tracking local development and governance. Often, the HDI scores are used to assess local development, and the changes in the scores are used as a proxy for governance quality. This is because the changes are measured over a three-year period which corresponds with the term of office of local elective officials. There is merit in its being used as a proxy for governance quality since LGUs do influence the HDI through their expenditures on social services (health, education and social welfare) and on economic enterprises, and through their policies and programs that affect local businesses.

It may be inferred from Table 3 that some of the poorest provinces have registered, since 1991, marked improvements in their quality of governance. Notable among these are Abra, Sorsogon, Catanduanes, the provinces in Eastern Visayas Region (Western Samar, Southern Leyte, Northern Samar), and those in ARMM (Tawi-Tawi, Lanao del Sur, Sulu). The relatively more economically progressive provinces of Cavite and Batangas have also achieved substantial improvements in HDI especially during the first few years of decentralization (1991-1994).

Table 3. Provinces with largest improvements in HDI: 1991-2000

1991 – 1994		1994 – 1997		1997 – 2000	
Province	%	Province	%	Province	%
Western Samar	23.29	Tawi-Tawi	11.98	Lanao del Norte	17.66
Abra	22.54	Ifugao	10.51	Davao Oriental	13.48
Capiz	16.41	Antique	6.53	Palawan	12.38
Sulu	16.25	Romblon	5.48	Siquijor	11.87
Cavite	16.18	Capiz	4.19	Catanduanes	11.53
Sorsogon	15.99	Abra	4.11	Lanao del Sur	10.74
Catanduanes	15.88	Sorsogon	2.57	Iloilo	9.18
Southern Leyte	15.40	Northern Samar	2.11	Northern Samar	9.11
Batangas	14.78	Zamboanga del Norte	1.59	Abra	9.09
Surigao del Sur	14.74	Western Samar	1.23	Surigao del Sur	8.62

Sources of raw data: *Philippine Human Development Report 1997* and 2000.

However, the province's economic status is not perfectly correlated with the quality of governance. As can be seen in Table 4, among the provinces with the biggest decline in HDI – hence, deterioration in governance quality – are the poor ones like Agusan del Sur and Surigao del Sur. However, the list also includes Bulacan, Rizal, Batangas, Cavite, Laguna and Pampanga, which together with NCR constitute the wealthiest and most economically progressive group of provinces in the country. The weak correlation in this case can be expected since it is hard to distill the effects of HDI, which captures outcomes, from other governance elements like transparency and participation. To avoid this problem, some governance measures concentrate on outputs and processes that provinces directly control.

Table 4. Provinces with largest declines in HDI: 1991-2000

1991 – 1994		1994 – 1997		1997 – 2000	
Province	%	Province	%	Province	%
Zambales	-4.01	Cagayan	-15.37	Quezon	-48.92
Bulacan	-3.42	Rizal	-14.76	Batangas	-47.51
La Union	-2.69	Occidental Mindoro	-14.29	Cavite	-27.90
Davao del Sur	-2.63	Surigao del Sur	-14.00	Laguna	-25.89
Bataan	-2.41	Cavite	-13.81	Rizal	-20.35
Agusan del Sur	-2.21	Davao del Norte	-13.54	Tawi-Tawi	-9.30
NCR*	-2.01	Laguna	-12.66	North Cotabato	-1.35
Rizal	-1.22	Eastern Samar	-11.90	Tarlac	-0.49
Palawan	-0.91	Pampanga	-11.35	Agusan del Sur	0.00
Ilocos Norte	-0.46	Batanes	-10.65	NCR*	0.23

*National Capital Region – this is not a province, but a group of 17 highly urbanized cities and municipalities. Sources of raw data: *Philippine Human Development Report 1997* and 2000.

Two province-level measures proposed are the Governance Quality Index (GQI), in two versions, and the Good Governance Index. The latter, however, is still a work-in-progress since the required data to validate all its component indicators are not yet available. On the other hand, the GQI has been generated for the provinces of Antique, Cavite and Davao del Norte. The scores of these provinces in GQI and HDI are shown in Table 5. Both indices show the same relative ranking for the three provinces. This lends some validity to GQI in that it correlates well with local development. Moreover, the GQI is useful as a governance diagnostic tool. For example, it is able to identify, in the case of Antique, its governance weaknesses (less than optimal generation and use of revenues, and low effectiveness and efficiency in social service delivery) and strengths (high overall accountability). Thus, GQI has enough merits to be applied and validated in more provinces.

Table 5. Human Development Index 1994 and the Governance Quality Index I and II of Antique, Cavite and Davao del Norte

Province	HDI 1994	Governance Quality Index I	Governance Quality Index II
Antique	0.521	0.585	0.671
Cavite	0.840	0.718	0.824
Davao del Norte	0.613	0.604	0.756

Source of data: Manasan, Gonzales and Gaffud (1999).

At the sub-provincial level, the quality of governance in cities and municipalities can be assessed using the LPPMS⁶ and the Governance for Local Development (GOFORDEV) Index. However, comparable data are available only for selected LGUs in Bulacan and Davao del Norte where both the LPPMS and GOFORDEV Index were piloted. The scores of the selected LGUs in both indices are shown in Table 6.

It is interesting to note that LPPMS suggests an overall improvement in governance quality between 2000 and 2001, while the GOFORDEV Index suggests a decline from 2001 and 2002. For 2001, the two indices even broadly agree on the relative ranking of the six LGUs in Bulacan. In both indices, Guiguinto and Baliwag are the two top ranked in 2001. In the case of Davao del Norte, they have diametrically opposed ranking. LPPMS ranks Tagum City as the best and Braulio E. Dujali as the worst among the six LGUs. In the GOFORDEV Index, however, Braulio E. Dujali is rated the best while Tagum City is the fifth. The discrepancy in ranking may be partly explained by the methodology applied in generating the score in the two indices. Being more exhaustive, the LPPMS incorporates more information than the GOFORDEV Index. However, unlike the GOFORDEV Index, which requires a household-level citizen feedback survey, the LPPMS is a self-administered assessment.

It can be concluded from above that the quality of local governance in the Philippines, despite the tremendous efforts at constructing and applying various measures, has yet to be ascertained. In addition to the technical problems, however, the political economy of LGU benchmarking does not help achieve consolidation and institutionalization of the various proposed measures. Almost all of the measures have been developed through the financial support of donor agencies or bilateral/multilateral institutions. The glaring overlaps and gaps in the measures have given rise to speculation that some of the financiers could perhaps be motivated by certain ideological agenda, or simply by institutional imperatives to bankroll another indicator system without regard for the other similar existing measures.

⁶ It should be mentioned that the LPPMS has also been applied to provinces and the GQI as well to selected municipalities and cities.

HDI and Good Governance Index

Developed by the National Statistical Coordination Board, the Good Governance Index is a province-level governance quality measure. The available GGI scores are still partial, since some of the required data for some component indicators are not yet available. The correlations between HDI 2000 and the GGI (and its component sub-indices) are shown below. Among the GGI sub-indices, it is the Economic Governance Index that correlates very well with HDI. Surprisingly, Political Governance Index is negatively correlated with HDI. While this may be due to data limitations, further validation of the GGI is suggested.

Correlation with HDI 2000

Good Governance Index 2000	0.42
Political Governance Index	-0.14
Economic Governance Index	0.40
Administrative Governance Index	0.09
Good Governance Index 2001	0.41
Political Governance Index	-0.14
Economic Governance Index	0.40
Administrative Governance Index	0.09

Thus far, the Department of Interior and Local Government falters in its leadership to simplify and institutionalize the different indicator systems. It is slow to consider these indicators as possible inputs in the design of fiscal transfers and other assistances to LGUs. Its efforts have been more focused towards developing its own indicator system. These have, however, yielded measures similar to existing ones, but at a slower pace. Moreover, the results of indicators such as the LPPMs are not posted in the DILG website nor publicly announced, thus limiting their potentials to educate the public and hold public officials accountable to their constituents. Others have observed that the DILG may not also be the ideal agency to institutionalize such an indicator system because of its perceived partiality to the Union of Local Authorities of the Philippines.

Table 6. Scores in LPPMS and GOFORDEV Index of Selected Cities and Municipalities: 2000-2002

Local Government Unit	LPPMS 2000		LPPMS 2001		GOFORDEV Index 2001		GOFORDEV Index 2002	
	Score	Rank*	Score	Rank*	Score	Rank*	Score	Rank*
BULACAN								
Angat	67	4	78	3	41	5	29	6
Baliwag**	74	3	79	2	61	2	60	3
Bustos	-	-	66	5	44	5	35	5
Guiguinto	81	2	92	1	68	1	72	1
Plaridel**	-	-	-	-	48	4	44	4
San Jose del Monte**	83	1	75	4	52	3	63	2
Average	76		78		52		51	
DAVAO DEL NORTE								
Asuncion	64	5	74	3	57	4	42	5
Braulio E. Dujali	82	1	71	5	79	1	61	2
Island Graden City of Samal	75	3	78	2	62	2	58	3
Panabo City**	61	6	66	6	58	3	55	4
Sto. Tomas**	71	4	72	4	44	6	34	6
Tagum City**	80	2	79	1	52	5	64	1
Average	72		73		59		52	

*Rankings relative to other sample LGUs in the province. Sources: LPPMS scores are from the LPPMS reports of the LGUs, and the GOFORDEV Index scores are from PCPS-Governance Project. **With higher level of economic development than the average LGU in the province.

V. Uneven governance dividends

While no consensus has been reached yet on the appropriate measure of local governance quality, there is seemingly a general agreement that good governance contributed to the proliferation of innovations and best practices in local public service delivery since 1991. Indeed, some evidence shows that many of these innovations are highly participatory. Rightly, these best practices also have been popularized and advocated for adoption in other areas. However, the spread of innovation seems slow – the overall progress in human development is sluggish, best practices are not widely imitated, and even the devolved services are of low quality. This suggests that the expected the overall surge in governance quality has not measured up to expectations. It also indicates that good governance alone is not sufficient to spur local development and, if and when practiced, may yield uneven dividends.

Human development and electoral accountability

One possible indication that the spread of innovation is sluggish is the slow progress in human development across provinces, as tracked by the HDI from 1990 to 2000, or roughly a decade of decentralization (see Table 7). The transition matrix⁷ shows how the provinces, grouped according to their scores in the HDI in 1990, have progressed, regressed or languished ten years later. As shown in the first row, for example, of the four provinces that had HDI scores of 0.400 or below in 1990, two of them apparently have not made any significant progress within ten years since their 2000 HDI scores have not exceeded 0.400. The same slow progress can also be said of the other 61 provinces (diagonal entries) in the country.

In contrast, only 8 of the 74 provinces showed notable development over the same period. These provinces are Western Samar, Basilan, Abra, South Cotabato, Pangasinan, Nueva Vizcaya, Iloilo and Misamis Oriental. The first three provinces' achievement is more impressive for initially being poorer and less peaceful than most.⁸ Possibly, the achievements of these three provinces are partly due to good governance.

Table 7. Human Development Index Transition Matrix

HDI (1990)	HDI (2000)			
	0.400 and below	0.401-0.600	0.601-0.800	0.801-1.00
0.400 and below (n=4)	2	2	0	0
0.401-0.600 (n=55)	0	49	6	0
0.601-0.800 (n=14)	0	2	12	0
0.801-1.00 (n=1)	0	0	1	0

Note: The total number of provinces used in 1990 and 2000 is 74. The number excludes due to lack of data for HDI 1990 the provinces of Guimaras, Biliran, Zamboanga Sibugay, Compostella Valley and Saranggani which were all established only after 1990. However, the new provinces of Apayao and Kalinga are included and assigned the same HDI in 1990 as their mother province Kalinga-Apayao. Source: *Philippine Human Development Report* (1997, 2000 and 2002).

One possible reason for the uneven pace of development across provinces is the weaknesses in the fiscal features of the LGC of 1991 and other subsequent laws. These weaknesses include the mismatch in the assignment of devolved functions and incremental revenue shares, and unfunded mandates (additional mandatory benefits for health workers, health insurance coverage for indigents) [Capuno 2001, Manasan

⁷ Used in growth literature [Quah 1993; Ray 1998], the transition or mobility matrix is a simple way of evaluating growth convergence. The cut-off scores in Table 7 are arbitrarily set and could be made finer. Note that in both 1990 and 2000 there were no provinces with HDI scores lower than 0.200.

⁸ According to the Philippine Human Development Report (1997, 2002), Basilan and Western Samar were among those with the highest poverty incidence in 2000. In 1991, Abra was also in a similar list.

1992]. Further, existing fiscal transfer schemes do not adequately address fiscal inequities and possible inefficiencies due to fiscal competition and spillovers among LGUs [Capuno 2002]. Moreover, some personnel issues, the failure of the DOH to articulate its new role, and other transitory problems encountered during the early years of decentralization may have compromised the delivery of health services [Lieberman, Capuno and Van Minh 2005].

Another possible reason for the uneven pace of provincial development is the failure of elections in the Philippines to be an effective instrument for exacting accountability. Table 8 shows the comparative election outcome for re-elected and defeated incumbent governors who ran for re-election in 2001, classified according to the provinces' progress in terms of HDI. It can be inferred from the table that success in the political arena is only weakly correlated with development feats. To cite specific instances, the provincial governors of Abra, Nueva Vizcaya, Pangasinan, Misamis Oriental and Basilan in 2001 – provinces with notable increase in HDI – were all successful in their re-election bids during that year's local elections; however, the then governor of Western Samar was not as successful.⁹

Table 8. Percentage change in HDI (1994-2000) and gubernatorial election outcomes in 2001

Change in HDI (1994-2000)	Number of re-electionist governors in 2001 (56)	
	Re-elected (36)	Defeated (20)
Greater than 20%	1	
Between 10% and 20%	6	6
Between 0% and 10%	24	9
No change (0%)	2	1
Below 0%	3	4

Source of raw data: National Statistical Coordination Board.

However, of the 56 re-electionist governors in 2001, 36 of them (65 percent) were politically successful. This group though includes five local chief executives under whose terms their provinces' development stagnated or deteriorated between 1994 and 2000. Moreover, good performance apparently did not help the 15 re-electionist governors, unlike their 30 victorious colleagues who had the same rate of increase in HDI (between 0% and 20%).

The poor correlation between the quality of governance and electoral performance may be due to several factors. For one, development outcomes respond, and sometimes only after a lag, to several catalysts, not all which are controlled by LGUs.¹⁰ Indeed, life expectancy at birth and literacy rate – two components of HDI – adjust to locally and nationally provided services, not to mention the people's access to same services in private markets. Second, voters may have neither the political maturity nor the requisite information to assess their LGUs' contributions to overall development. For instance, many Filipinos up to now, are unable to, or do not care to distinguish between provincial roads and national roads. Still another, present election laws and processes may not be fool-proof mechanisms of insuring the people's will. Possibly also, the more discerning voters only constitute a minority of the electorate and may not even cast their votes. The point though is that ballot returns are linked vaguely with changes in local development. Put another way, elections may not be a very effective accountability measure to promote long-term, or perhaps, even medium-term development programs.

Best practices but inimitable?

Arguably the best proof that decentralization does work is the increase in the number of enterprising local government units. Among these are 143 cities, municipalities and provinces conferred *Galing Pook* Awards between 1993 and 2002 for their outstanding or trail-blazing programs or projects (Table 9). The innovative programs include social services (health, education, social welfare, disaster management),

⁹ The then incumbent governor of Iloilo did not run for re-election in 2001 (?).

¹⁰ That is, some development changes are discernible only after three years or the length of one term of office at the local level.

environmental programs, public works and housing, and livelihood and economic-oriented projects. By improving the types or quality of public outputs or the local income opportunities, these innovations have direct impact on welfare.

Likewise, there are local government efforts that have enhanced revenue mobilization and expenditure management, namely: the Tax Collection Program of Binangonan, Rizal; the Real Property Tax Computerization and Administration of Muntinlupa City; the Financial Engineering Program of Tagaytay City; and the Tax/Government Computerization Projects of Cebu City and Naga City. Arguably, these deserve special mention because they concern improvements in the inputs to public outputs, and thus are less likely to win initial support from the local constituents. More importantly, perhaps, they show the earnest efforts of some LGUs to tap other sources of income and become less dependent on the Internal Revenue Allotment (IRA).

Table 9. Distribution of the winners of Galing Pook Awards by type of programs: 1993-2001

Type	Outstanding Programs	Trailblazing Programs
Health, Food, Water	9	11
Education, Culture, Sports	3	4
Social Welfare, Disaster Management	5	7
Environment, Ecology	23	7
Public Works, Housing	8	5
Livelihood, Cooperatives, Public-Private-NGO Partnerships; Development Councils	19	25
Peace and order	3	3
Fiscal Revenue Mobilization, Expenditure Management, Public Administration	7	4
Total	77	66

Source: Galing Pook Foundation [2002]. Author's own classification.

Apparently, there are more innovative LGUs than those who have vied for the Galing Pook Awards (GPA), which is won only by those who submitted their programs or projects for evaluation by the Awards Committee. Not surprisingly, perhaps, many of these are in the provision of health services [Pineda 1998].

Encouraging though these innovations are, their spread in the rest of the country does not seem wide. Between 2002 and 2004, there were 97 provinces, 132 cities and 123 provinces which vied for the GPA. While the rules of the GPA allow for only the best ten among these applicants to win, the provincial and municipal applicants still constituted less than 42 percent of the total number of potential applicants over the same three-year period. Conceivably also, some of the entries may not have been truly exemplary.

While the 143 Galing Pook Awardees can be expected to constitute a minority (less than ten percent) of the total number of LGUs in the country, the number of repeat winners, albeit for different programs, however further indicate the limited contagion of innovative practices. Between 1993 and 2002, for example, Nueva Vizcaya Province won eight times, Bulacan Province and Naga City five times each, and the cities of Puerto Princesa and Marikina each won four times. It is important to note also that the incumbent governors and mayors of these select LGUs have been largely successful in their re-election bids over the same period.¹¹

¹¹ Mayor Bayani F. Fernando served for three consecutive terms before his wife, Marides Fernando, won as mayor of Marikina City in 2001 and 2004. Governor Josefina dela Cruz won her third consecutive term as Governor of Bulacan in 2004. Mayor Jesus Robredo, Jr. of Naga City also served for three consecutive terms in the 1990s and won again as mayor in 2001 and 2004. Likewise, Mayor Edward Hagedorn of Puerto Princesa has been occupying his present position for at least nine years.

But what is the impetus to innovate? In his analysis of LGUS with *best practices*, Brillantes [2003] cites the critical factors behind the local innovations as: a hospitable policy environment, a “triggering crisis”, aggressive local governments, aggressive civil society, inadequacy of financial resources, response to a demand for specific basic services, attendance in local and international training programs, and initiatives of the local universities or academic institutions. Further, he notes some reasons for the local successes: leadership, people’s participation and support, multisectoral cooperation, media and information dissemination, and support from external international institutions. These are useful insights, but seemingly suggest also that a multiplicity of triggers or a set of specific initial conditions must be present before these best practices can be replicated elsewhere. To avoid this misimpression, it would help if the insights can be couched in a model of local government behavior in the Philippines and then the model empirically validated to ascertain the really important governance triggers to local innovations.

Such a model can be constructed with further insights from the published accounts of Galing Pook Awardees (see box inset). Two themes seem to stand out, namely: i) the innovations are partly due to the desire of the incumbent to be re-elected, and ii) that the innovations have both technical or economic aspects *and* governance aspects. That is, good governance – especially, wider people’s participation – is *part* of the innovation in local public services.¹² These dual aspects may have become necessary to counter two problems: the technical part is a response to the severe financial and human resource constraints, while the governance part is a response to the people’s initial low regard for their local governments. The underlying conditions are the increasing or sudden demand for more, better or specific local public services and political pressure, both of which elicited positive responses from exceptional local leaders (highly educated, young, idealistic, and mostly newly elected¹³). Indeed, political pressure – indicated by the presence of political clans – is found to have a positive and statistically significant effect on province-level development expenditures in the 1990s [Solon, Fabella and Capuno 2001].

The impetus to innovate and govern well in Naga City

“Sometime in June 1987, I was asked by a politician relative to run for Mayor of Naga City. Inspired by EDSA,... I accepted the challenge. I was only 29 years old then and a virtual unknown in politics. As expected, I barely made it – garnering only 24% of the vote.

When we took over city hall, in February 1998, the city was in shambles. We inherited a huge budget deficit. The employees were underpaid and morale was low. The local economy was sluggish. Employment opportunities were not forthcoming. Disorder and congestion characterized the Central Business District. The urban poor population had doubled from 2,000 families to 4,000 families over the last decade... Compounding our problem was a weak mandate, with only three of the ten members of the City Council belonging to our party.

We had two options.

The first was to do a ‘quick fix’ – by providing a leadership that imposes its will on the constituency...

The second was to venture on the untried and untested – by providing a leadership that is inclusive and consultative, that empowers and enables instead of rule, that promotes people participation and build stakeholderhood over time ...

Despite, or maybe because of weak mandate, ... we put our fate fully in the hands of the people. We started by organizing and reaching out to all sectors of the community... We believe that in the long run, for development to be sustainable, **both the process and the outcomes should be inclusive.**

... We began working with the urban poor, launching the *Kaantabay sa Kauswagan* Program (Partners in Development Program)... which provided security of tenure to more than 6,000 squatter families by the end of 2003. The program revolved around the concept of the poor as “partner-beneficiaries” – meaning they participate, together with our NGO partners, every step of the way resolving their land tenure problems and assume obligations thereafter.

...By the end of 1998, we had received 50 international and national recognitions in diverse areas of governance – a testimonial that simply by working together we can make our lives better.”

Source: Excerpts from a speech of Mayor Jesse M. Robredo of Naga City delivered during the Regional Seminar and Learning Event on Local Governance and Pro-poor Service Delivery on 10-12 February 2004 at the ADB Headquarters, Manila.

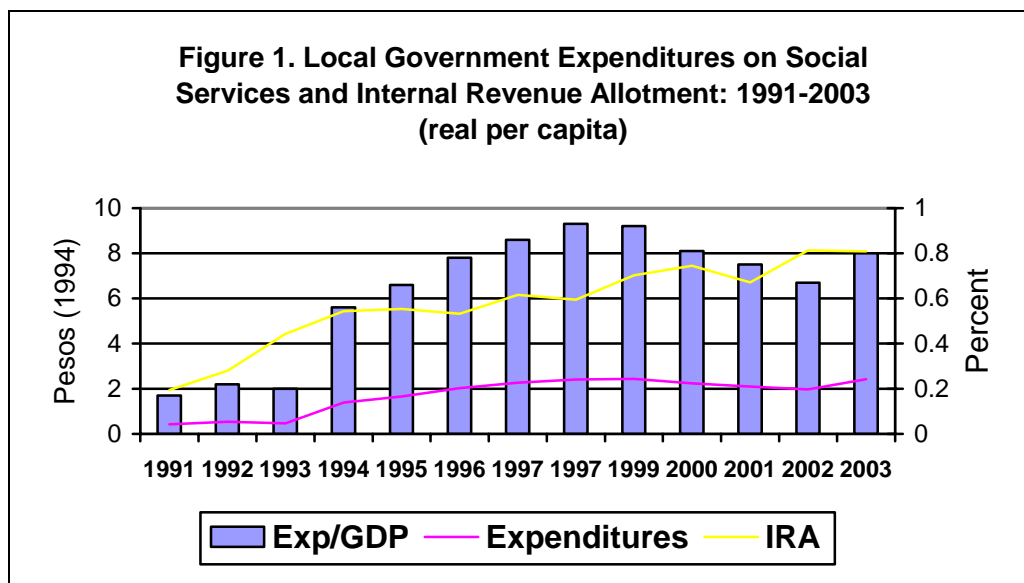
¹² This could also be due to self-selection since participation is one of the criteria used in evaluating the local programs or projects under the Galing Pook Awards. Nonetheless, it is doubtful that the prize money is the important motivation for the decision to innovate. Perhaps, a greater benefit of the Award to the innovator is the social recognition.

¹³ The well-known Galing Pook Awardees like Naga City, Markina City and Bulacan Province all had new local chief executives when they started winning awards. However, Governor Josefina dela Cruz was previously a member of the Sangguniang Panlalawigan and vice-governor of Bulacan.. All of their LCEs are college-educated and have professional experiences.

The policy implication of these insights is that it would take more than information dissemination and educational tours (*lakbay aral*) targeted to local bureaucrats. To speed up the adoption of best practices nationwide, knowledge of best practices should be supplemented with the incentives or compulsion to adopt, measures to improve accountability like strengthening election laws and procedures, voters' education, and local consultative bodies. Further, yardstick competition among local government units should be promoted. One potential way to achieve this is to apply and popularize indicators of good governance or performance benchmarks nationwide so that the local population would be able to assess the accomplishment of their local governments relative to others.

Low quality of local services and use of local information

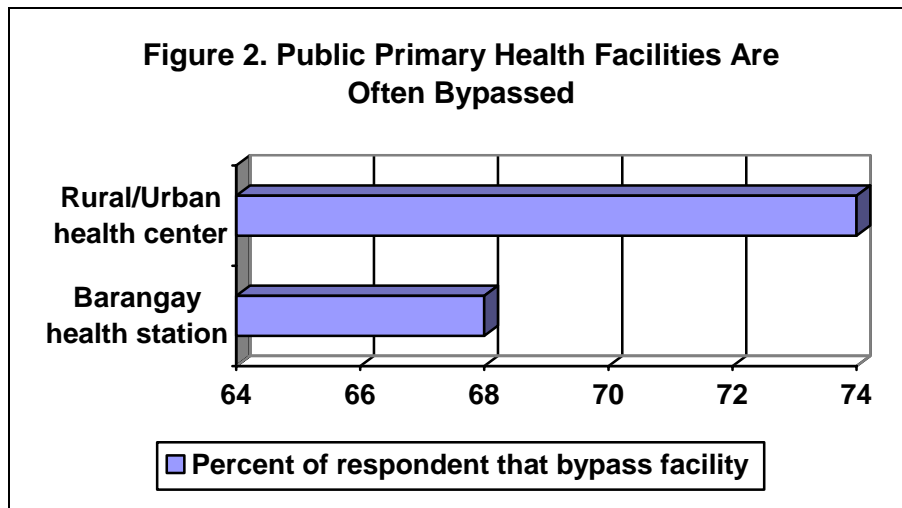
Expectedly, given the increased shares of local governments in the internal revenues of the national government under the LGC of 1991, the expenditures of local governments on social services since then have been rising as well (Figure 1).¹⁴ While the IRA can be expected in the coming years to rise, at least nominally, the same cannot be said of local expenditures on social services. In fact, the latter has been hovering around two pesos per capita (in real terms) since 1996 with no indication of dramatic growth in the future similar to the one experienced between 1991 and 1994. Unlikely to be the optimal, the flat trend in expenditures may well reflect the local governments' collective response – including, free-riding - to the national government's continued provision of devolved social services. Their collective response consistently does amount to more than one percent of GDP, still less than the share in GDP of the national government's expenditures on similar services.



Sources of data: *Philippine Statistical Yearbook* (various years), COA, DBM.

However, the upward trend in local expenditures on social services does not seem to be matched with an improvement in the *overall* quality of local public services. Under decentralization, the devolved public services should be better and more accessible to the local population. Thus, client's use of, or satisfactions with, local public services may be used as a quality indicator. Contrary to expectations, however, the results of a nationwide survey conducted in 2001 reveal that most people bypassed rural health units (RHUs) or barangay health stations (BHSs) that are only 15-minutes away from them (Figure 2). Since these are the very facilities that were devolved to local governments in 1993, the high bypass rates for RHUs (74%) and BHSs (68%) attest to the still low quality of primary health services under decentralization.

¹⁴ The LGU expenditures and IRA reported in Figure ___ pertain to all provinces, municipalities and cities only. The estimates exclude the expenditures and IRA of barangays.



Source of chart: World Bank [2001b].

One possible explanation for the low quality is that local officials do not seem to take advantage of their access to better information. According to a study on the effectiveness of decentralization in the Philippines and Uganda [Azfar, Kahkonen and Meagher 2001], while the correlation between the preferences of public officials and funding priorities of households in the Philippines is positive and significant at the national level, it is “much weaker at the municipal level and essentially non-existent at the provincial level”. This finding may be surprising however since LGUs are mandated to organize and consult regularly Local Health Boards.¹⁵ One explanation, of course, is that the local special bodies have not been constituted nor are functional.

VI. Participation as development

At the very least, there should be a greater level of citizens’ participation beginning with the implementation of the LGC in 1991. After all, the avenues for participation under the 1983 LGC have all been incorporated and expanded under the 1991 LGC. In addition to the Local School Board, four other local consultative bodies are now mandated to be present in each LGU (excluding barangays). More importantly, LGUs are explicitly encouraged to establish cooperative relations with local non-government organizations, people’s organizations and other civil society groups. The range of possible engagement includes partnership in service delivery, capacity building and joint operation of economic enterprises. Indeed, where such cooperative undertakings have been established, fruitful outcomes (and otherwise) have been noted [George 1998; International Institute of Rural Reconstruction 2001; Lim, Dongail and Oliveros 2000].¹⁶

Even without the participatory provisions in the LGC of 1991, however, it can be argued that the tide toward greater people’s participation at the local level would have been inevitable. If not the 1991 LGC, then there would have been other enabling laws in support of Section 23, Article II of the 1987 Constitution which provides that “The State shall encourage non-governmental, community-based, or sectoral organizations that promote the welfare of the Nation”. Then, again, this is perhaps just an acknowledgement of the then rapidly expanding NGO/PO community whose areas of concerns and operations spanned both national and local levels.

¹⁵ The authors, however, also point out that “constraints to local officials’ flexibility in resource use, inefficiencies and other internal constraints, and the political pressures all seem to conspire to thwart LGUs’ matching of even those constituent preferences that they recognize” . [p. 28]

¹⁶ See also the selected case studies in Wui and Lopez [1997], Coronel Ferrer [1997] and Diokno [1997].

Indeed, the growth of the civil society groups since 1986 has been hailed as a significant democratic milestone in the country. It is estimated that from 27,100 NGOs registered in 1986 with the Securities and Exchange Commission, the number has grown to 50,800 in 1992 [Campos and Hellman 2005]. Foremost among the NGOs is the Catholic Church whose extensive network of local Social Action Centers makes it influential in both local and national politics. Also, there have been several NGO consortia formed such as the Network of Labor Institutes in 1988, the Philippine Development NGOs for International Concerns in 1989, the Sustainable Agriculture Coalition and the Convergence for Community-Centered Area Development in 1990, and the NGO Council for Cooperative Development in 1991 [Lim, Dongail and Oliveros 2000]. Other NGOs like the Philippine Rural Reconstruction Movement (PRRM) and the Philippine Partnership for the Development of Human Resources in Rural Areas (PhilDHARRA) were also pioneers in local development work long before the LGC of 1991.

Yet, despite the opening of more participatory avenues since 1991, their expected development payoffs are unevenly distributed, if not hard to discern. This phenomenon could perhaps be explained in two ways. First, the people's participation at the local level is less than genuine and so local fiscal decisions seldom match public service needs. Second, even without the improvements in public services, the effects of the LGC on social inclusion should itself count as development. This is because participation expands the choices and capabilities of the marginalized members of the society. Put differently, the opportunities for participation empower the weak and the deprived "so that they do not remain helpless" or "exploited by people in power" [Zialcita et al. 1995]. Indeed, these two hypotheses are supported by some evidence.

Accredited participation

It is estimated that by 1993 LGUs had accredited 16,834 NGOs for representation in local consultative bodies [Siliman and Noble 1998]. Arguably, there have been more NGOs who have not sought or passed accreditation. Indeed, the accreditation requirement – which had been introduced only in the Implementing Rules and Regulations of the LGC of 1991 – effectively endowed the LGUs powers to restrict NGO/PO participation in local special bodies. It is noted that some LGUs had been wary of inviting NGOs and POs whom they perceived to be critical of them [Tordecilla and Tumbaga 1997]. Worse, some local officials reportedly were also encouraged to establish, accredit and appoint their own NGOs to the local special bodies. Moreover, those who were able to join the local special bodies were not invited regularly to meetings nor consulted about the agenda. Thus, many NGOs and POs who felt excluded also did not engage in their own activities the LGUs in their own areas of operations [Lim, Dongail and Oliveros 2000].

While these difficulties concerning NGO participation seemed prevalent during the early years of devolution, it appears that the same difficulties basically persisted nearly ten years after. In particular, compliance among cities with the Code's provision has been less than full among cities. This is evident in Table 10. Based on the reports submitted in 2000 by cities to the Bureau of Local Government Supervision, only 25 of the 32 cities (75%) in Luzon had complied with the prescribed membership in the Pre-Qualification, Bids and Awards Committee (PBAC). Also, only 17 of the 25 cities (68%) in the Visayas had filled up their PBACs as prescribed. Moreover, only 11 of the 16 cities in Mindanao had full membership in their Local School Boards. Arguably, these failures in compliance account for some of the weaknesses in the development planning and provision of services in these areas.

It should be noted however some successful NGO/PO-engagements were not limited to local special bodies, as specified in the LGC of 1991. In Naga City, for example, two of the award-winning participatory local projects entailed the assembly of multi-sectoral groups that provided inputs and support to the city government. The city's People Empowerment Program served as a facility for a regular dialog between city government and the NGOs and marginalized sectors. Its Naga Kaantabay sa Kauswagan (Partners in Development) Program in mass housing and poverty alleviation directly involved the poor and landless families as partners, rather than just beneficiaries. In 2002, the provincial government of Nueva Vizcaya also welcomed the participation of more members in the provincial health board. Instead of keeping the membership to a minimum, the board had 43 members that included NGO representatives and all municipal health officers of the province. Thus, it can be said that while compliance with the mandatory establishment of local special bodies may be low, the LGC nonetheless provided the legal framework which allowed other forms of NGO/PO-LGU relations to fruitfully evolve.

Table 10. Compliance with prescribed membership of local special bodies, 2000

Local Special Bodies	Luzon (32 cities)	Visayas (25 cities)	Mindanao (16 cities)	National Total
Local Health Board	31 (97%)	25 (100%)	15 (94%)	71 (97.3%)
Local School Board	28 (88%)	24 (96%)	11 (69%)	63 (86.3%)
Local Development Council	25 (78%)	25 (100%)	13 (81%)	63 (86.3%)
Pre-qualification, Bids and Awards Committee	29 (91%)	17 (68%)	12 (75%)	58 (79.5%)
People's law Enforcement Board	29 (91%)	21 (84%)	14 (88%)	64 (87.7%)
Peace and Order Council	30 (94%)	25 (100%)	13 (81%)	68 (93.2%)

Source of table: Bureau of Local Government Supervision [2002].

Participation and people's satisfaction

The intrinsic welfare effects of participation are not as well documented, but no less important. That democratic participation is prized in itself is better appreciated in the Philippine context, where patronage politics continues to be a dominant feature of local governance. The participatory mechanisms accessible to the poor and the traditionally marginalized groups confer on these groups some security against exploitation. While the LGC enabled some of these mechanisms, the effective access to them is almost guaranteed when the poor or marginalized sectors are organized. The proliferation of NGOs and POs like mother's association, youth organizations and cooperative associations ensure that some household members are "empowered", although they may be active in civic activities in their personal capacities.

Partial evidence on the subjective benefits of participation is provided in Table 11. [See Appendix 2 for variable definitions and descriptive statistics, and Appendix 3 for an account of the data and survey.]. The idea behind the exercise is to see whether participation brings about a satisfactory assessment of the incumbent local administration and of the performance of at least one key local elective official. The latter includes the mayor, vice mayor, members of the Sangguniang Bayan, members of the Sangguniang Barangay, and the barangay captain. The participation variables used are membership in any local organization (*Member*) and participation in the planning, implementation, monitoring or evaluation of local projects or activities (*Participate*).¹⁷ To avoid omitted variable bias, controls are also introduced for socioeconomic characteristics, and temporal or location-specific factors.

It can be seen in Table 11 that membership in any local organization increases the probability that a person will be satisfied with the current administration, but does not lead to a favorable assessment of the performance of key leaders. In contrast, participation in key project activities of the local government contributes to the likelihood that the person will be satisfied with the performance of key local officials. However, the same variable does not lead to the probability of a positive appraisal of the current administration. These seemingly contradictory results may be due to the fact that a constituent who is directly involved in public projects is likely to be in closer contact with key officials. Therefore, he or she is a better position to appraise the performance of these officials than somebody who simply joins a local association.

¹⁷ Of course, a satisfactory assessment in this case may also be due to improvements in local services induced by people's participation. However, regression results show that the participation variables used here (Member and Participate) do not contribute the likelihood of a satisfactory assessment of local public services. Thus, the results presented in the text may be interpreted as reflective of the subjective benefits of participation.

Table 11. Probability of satisfaction with the current local administration and in the performance of local officials

Explanatory variables	Dependent variable: Satisfied with the current administration				Dependent variable: Satisfied with one key local official			
	Model 1		Model 2		Model 3		Model 4	
	Marginal Effects	Robust Std. Error	Marginal Effects	Robust Std. Error	Marginal Effects	Robust Std. Error	Marginal Effects	Robust Std. Error
Member Participate			0.055	0.034			0.041	0.014**
Age	-0.001	0.001	-0.001	0.001**	0.000	0.001	0.000	0.001
Male	0.011	0.025	0.005	0.023	-0.009	0.019	-0.012	0.019
Household Head	0.018	0.046	0.015	0.040	0.006	0.027	0.002	0.025
College	-0.003	0.028	-0.014	0.028	-0.011	0.024	-0.014	0.024
Government Job	0.079	0.029**	0.067	0.033	0.014	0.029	0.004	0.032
House owner	0.003	0.034	0.003	0.034	-0.007	0.010	-0.010	0.010
Angat	-0.249	0.008**	-0.223	0.014**	-0.175	0.003**	-0.171	0.005**
Baliwag	-0.061	0.009**	-0.058	0.010**	-0.069	0.003**	-0.070	0.004**
Guiguinto	0.085	0.005**	0.084	0.004**	0.022	0.002**	0.019	0.002**
San Jose del Monte	-0.098	0.003**	-0.093	0.005**	-0.101	0.004**	-0.105	0.003**
Braulio E. Dujali	0.081	0.002**	0.076	0.002**	0.095	0.001**	0.086	0.005**
Panabo					-0.073	0.004**	-0.115	0.022**
Sto. Tomas	-0.068	0.012**	-0.180	0.055**	0.012	0.002**	-0.007	0.014
Samal	0.121	0.004**	0.083	0.018**	0.060	0.002**	0.033	0.014*8
Asuncion	0.127	0.000**	0.123	0.003**	-0.008	0.003**	-0.007	0.004*
Tagum	0.062	0.007**	0.050	0.012**	0.111	0.003**	0.104	0.005**
Reelected Mayor	-0.011	0.007	-0.019	0.008**	0.043	0.001**	0.042	0.003**
Year 2002					0.016	0.026	0.011	0.024
Year 2003					0.053	0.033	0.051	0.032
Number of obs.	1081		1080		3538		3535	
Pseudo R-squared	0.1047		0.1219		0.0515		0.0587	

* Significant at the 10-percent level. * Significant at the 5-percent level. Source of raw data: PCPS-Governance Project.

The other significant variables are *government job*, which indicates whether the respondent is working for the government, *Reelected Mayor* (indicating whether the incumbent mayor was also the previous mayor), and the location dummies. Perhaps, the findings on *government job* and *Reelected Mayor* can be expected since a government employee is a part of the current administration and that a reelected mayor is also likely to have done some good to his or her constituent. Thus, while a more direct and wide-scale evidence is desired, the ones presented here already suggest that some social payoffs are now realized from the Code's provisions on social inclusion. Social inclusion may yet deepen trust in local government and therefore social capital which is found to spur growth.

VII. Underdevelopment and (mis)governance

The story about province-level development since 1991 is less about the absence of overall growth but more of an imbalanced one. That is, despite the fiscal autonomy and the governance reforms instituted under the LGC, the rich provinces remain relatively well off and the poor ones still fail to catch up. This is certainly evident in Table 12. It can be seen that, over the ten-year period starting in 199, Bataan, Laguna, Pampanga, Bulacan, Nueva Vizcaya, Cavite and La Union maintained their status as having the lowest poverty incidence among provinces. In less enviable position are Sulu, Romblon, Masbate, Sorsogon, Zamboanga del Norte and Basilan which remained in the highest poverty-incidence bracket. The explanations offered for the imbalanced growth include trade linkages, given natural resources, public

infrastructures, the quality of local manpower, the peace and order situation, and the differential impact of national government policies and programs.

Table 12. Top 10 and Bottom 10 Provinces in terms of poverty incidence in 1991 and 2000*

Ranking	1991	2000
Top	Bataan (15.55)	Ilocos Norte (6.18)
	Laguna (15.75)	Bataan (7.63)
	Pampanga (16.26)	Laguna (7.69)
	Bulacan (17.95)	Pampanga (8.75)
	Nueva Vizcaya (20.31)	Nueva Vizcaya (9.26)
	Cavite (21.09)	Bulacan (9.53)
	Mountain Province (21.47)	Batanes (9.86)
	Occidental Mindoro (21.49)	Rizal (10.6)
	Ilocos Norte (22.52)	Cavite (10.87)
	La Union (24.49)	Benguet (14.95)
Bottom	Sulu (92.56)	Sulu (92.03)
	Romblon (77.73)	Tawi-Tawi (75.26)
	Ifugao (70.02)	Romblon (74.57)
	Masbate (69.65)	Masbate (70.8)
	Sorsogon (69.46)	Capiz (63.07)
	Zamboanga del Norte (69.45)	Basilan (63.02)
	Basilan (68.24)	Eastern Samar (61.68)
	Camiguin (64.03)	Sorsogon (52.92)
	Albay (63.97)	Zamboanga del Norte (51.93)
	Marinduque (61.97)	Western Samar (51.64)

*Estimates of poverty incidence rates (in parentheses) are from the Asia Pacific Policy Center.

Of late, it been also been well recognized that a country's or region's initial conditions are critical to its subsequent growth. Thus, if governance quality contributes to provincial growth, then it must also be conditioned by the provinces' initial level of development. This is because governance reforms – like installation of information technology for greater transparency, community mobilization to enhance participation – also demand public resources; and more public resources are required if the private sector and ordinary citizens have low initial capacity or poor inducement to take advantage of these reforms. More to the point, governance measures which have only indirect or lagged welfare effects may be inferior to government jobs, subsidies and other forms of patronage that a local leader may dispense to its poor constituency. If this is the case, then elections also offer poor incentives politicians to manage well – less focus on long term goals, emphasis on redistributive projects, or excessive regulation of local markets.

Apparently, election outcomes are also weakly correlated with the quality of local governance. Using their proposed Good Governance Index¹⁸, Virola et al. [2004] report that six of the top ten provinces in 2002 have governors who were re-elected for another term or won congressional seats during the last elections (May 2004). The six provinces are Laguna, Batanes, Cavite, Bulacan, South Cotabato, and Siquijor.¹⁹ Yet, the re-electionist governors of the eight of the bottom ten provinces in 2002 were likewise successful in 2004. The eight provinces are Masbate, Maguindanao, Northern Samar, Surigao del Sur,

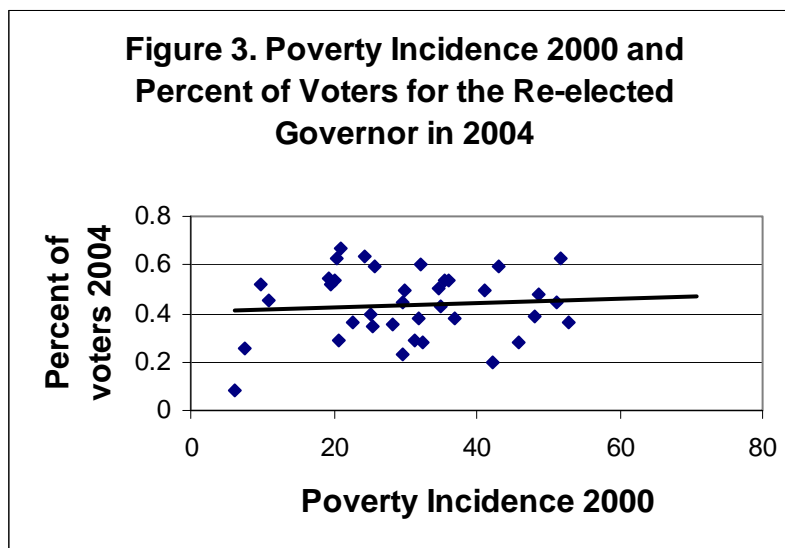
¹⁸ Developed by a team from the National Statistical Coordination Board, the Good Governance Index is the only province-level index available. The tentative scores of each province in 2000, 2001 and 2002 are provided, although they do not include some of the component indicators for which data are not yet available.

¹⁹ Rizal and Batangas may also be considered as belonging to the same group although their respective governors did not run for the same position because of term limits. However, Casimiro Ynares, Jr. – the husband of the previous governor, Rebecca A. Ynares – won as governor of Rizal in 2004. On the other hand, Governor Hermilando I. Mandanas of Batangas won as congressman in the same year.

Lanao del Norte, Sultan Kudarat, Camarines Norte, and Sorsogon. Interestingly, the aforementioned provinces are also among those with the lowest and highest poverty incidence in 1991 and 2000.

That the decentralization did not alter dramatically the local political landscape finds support from the continued political dominance of wealthy families and clans. According to the Philippine Center for Investigative Journalism [Coronel et al. 2004], for example, the average net worth of members of the House of Representative in the 9th (1992-95), 11th (1998-2001) and 12th (2001-2004) Congresses are estimated to be 8.401 million pesos, 20.589 million pesos and 21.995 million pesos, respectively. Also many of these elected representatives have vast landholdings or commercial interests, are scions of old political families, and have other relatives occupying elective positions in their home provinces.²⁰

Further on the weak correlation between development outcomes and election outcomes, Figure 3 suggests a slight positive association between the province's poverty incidence in 2000 and the proportion of votes received by the re-elected governor in 2004 local elections to the total number of registered voters in the province for the same year. This is quite contrary to the usual expectation that incumbent governors who fail to uplift the standards of living of the poor – who often constitutes the majority – will not win again, or, at least, win only with minimal support from the electorates. However, the results of the 2004 show that re-electionist governors in poorer provinces appeared to have won over more supporters.

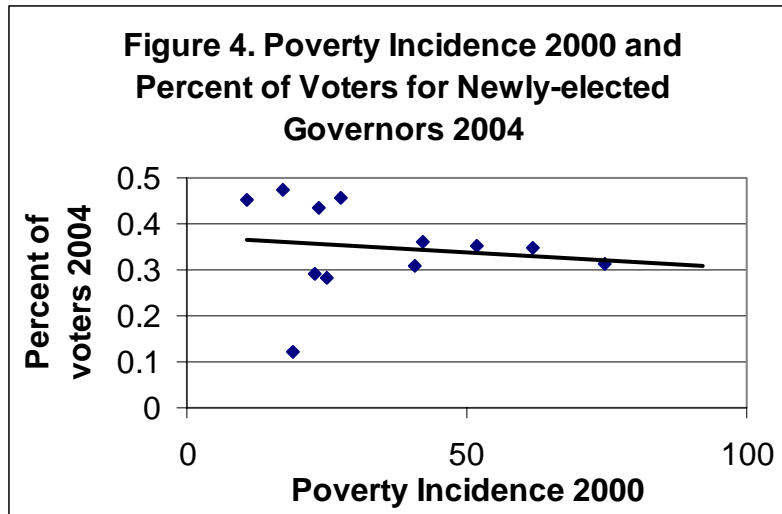


Sources of data: PHDR [2000], Virola et al. [2004], COMELEC.

Further on the ineffectiveness of current electoral institutions as accountability mechanism, it can be seen in Figure 4 that newly-elected governors in 2004 in provinces with high poverty incidence tend to win over a greater proportion of the local voters than their colleagues in provinces with lower poverty incidence. In the light of the results in Figure 3, this implies that a change of governor is less likely in economically depressed areas than in the more economically progressive ones. Together these results reflect the persistence at the local level of patronage politics.²¹ Evidence quite strongly demonstrate that the area's level of underdevelopment determines its politics and its subsequent (under-) development.

²⁰ Gutierrez [1994] also provides a more detailed account of the business and political backgrounds of the members of the 9th House of Representatives.

²¹ Hutchcroft and Rocamora [2003] also noted that decentralization could have also entrenched the control of local elites over the LGUs.



Sources of data: PHDR [2000], Virola et al. [2004], COMELEC.

While local elections are not very effective at punishing bad leaders or poor performers, they seem to be good at rewarding the good performers or innovative leaders. Many of the Galing Pook awardees, for example, have served their allowable three full terms and, even made successful comeback after the mandatory break in service. Among this select group of local leaders are Mayor Bayani Fernando of Marikina City, Mayor Edward Hagedorn of Puerto Princesa City, Mayor Jess Robredo of Naga City, and Mayor Rodrigo Duterte of Davao City. Presumably after the term of office of these local officials, the quality of governance in their areas had little change of deteriorating since it is likely that the new incumbent would have faced popular pressure to perform at par with his or her predecessor. It is more likely that the same performance standards were met since family members or anointed successors were elected in the interim. What can be concluded therefore is that reversion to mediocrity is difficult once the people have experienced excellence in local governance; whether the quality of governance is transferable or replicable elsewhere is not clear.

Exit – migration and investments?

If voice and accountability measures fail, the local citizens always have an exit option. These are migration to other localities with superior local public services or moving their investments where the rate of returns are higher, presumably because of better quality of local governance. If the exit strategy works, then bad-performing LGUs will soon have a smaller constituency, with little productive capital or high quality manpower to tax, and therefore fewer opportunities for corruption. This punishment strategy works best when people or resources are mobile.

Indeed, the patterns of regional development in the Philippines parallel that of migration and private investments across regions. Migration patterns, in particular, correlate well with employment opportunities. In 1990, Villamil [1998] found that 72.4 percent of male migrants and 41.9 percent of the female migrants in urban areas have gainful occupations. Further, migrants were not appreciably less successful in “obtaining higher prestige, higher skilled and higher paying occupations than their nonmigrant counterparts in urban areas. Further, it is reported that that 31.3 percent of the male migrants and 25.4 percent of the female migrants in Metro Manila are college-educated. In other urban areas in the country, 27.6 percent of the male migrants and 27.1 percent of the female migrants in other urban areas are college-educated.

However, it is hard to say from these data whether the quality of governance in the migrants’ home provinces was a factor in their decisions to relocate. What seems plausible is that the emigration of the highly-educated or the more enterprising citizens has reduced the pool of potential, competent politicians and the quality of public decisions. Thus, the quality of local governance may have been the result rather the trigger of migration which only responds to regional economic disparities.

As with the movement of people, the movement of investment capital correlates more with economic conditions than with the quality of governance. The bulk of foreign and private investments continues to pour into Metro Manila, Metro Cebu, Metro Davao and in their neighboring provinces. The spillover benefits to their neighboring provinces have less to do with their competitive offers to investors than with the inflationary pressure of congestion in the metropolitan areas. The balance has shifted further in their favor when the national government declared certain enclaves as special economic zones within their territories.

Again, it is hard to discern from available data whether investment capital only responds positively with good local governance. This may be true in Naga City under Mayor Robredo and partly in Bulacan²² under Governor de la Cruz. However, the flow of investments or rise in economic activity in an area is not also inconsistent with “bad” governance. For example, the economic resurgence of Cavite starting with the reign of Governor Juanito Remulla also coincided with the repressive methods to ban workers’ strikes in factories within the special economic zones, and reportedly with the governor’s tacit approval. “Peace and murder” is how certain observers of Davao City characterize the reign of Mayor Rodrigo Duterte, who is reportedly seen as the primary instigator of summary executions of suspected drug peddlers in the city. Of course, when the governance quality has turned for the worse, as when rule of law breaks down in conflict areas, then it can definitely be said that the low quality of governance triggered the exodus of emigrants.

While bad governance may not be the trigger to emigration and investment outflows, might it be said nonetheless that migration induced good governance in the provinces of destination? After all in these provinces the quality of the population improves with the influx of highly educated workers, and the increased economic activity also creates media markets. This story is certainly consistent with the distribution of media outlets across regions in the country. It can be seen from Table 13 that NCR, the Southern Tagalog Region, and the Central Luzon Region have greater shares in the number of AM, FM, TV and CATV stations than many other regions in the country. Many of the media stations in NCR also have national coverage, unlike most of the media stations located elsewhere. Also, the broadsheets and tabloids published in NCR are distributed nationwide. Hence, while local governance issues in NCR are known elsewhere, like the spat over traffic schemes between the chair of the Metro Manila Development Authority and Metro Manila mayors, the same cannot be said of other localities. Add to this the fact that many of the local AM stations and newspapers are owned or controlled by local politicians, it may be surmised that mass media has not reached its full potential yet as a transparency and accountability mechanism for improving local governance.

²² Since Bulacan is just north of Metro Manila, its proximity may also explain the rush of investments in the province.

Table 13. Distribution of Broadcast Stations, CATV Networks and Local Print Publications, by Region: 2002

Region	AM		FM		TV		CATV		Print publications*	
	No.	%	No.	%	No.	%	No.	%	No.	%
Total	369	100	583	100	225	100	1,343	100	441	100
NCR	31	8.40	25	4.29	23	10.22	69	5.14	27	4.76
CAR	10	2.71	18	3.09	5	2.22	24	1.79	12	2.72
I – Ilocos	34	9.21	36	6.17	8	3.56	122	9.08	40	9.07
II – Cagayan Valley	16	4.34	33	5.66	9	4.00	80	5.96	18	4.08
III – Central Luzon	15	4.07	25	4.29	5	2.22	128	9.53	46	10.43
IV – S. Tagalog	32	8.67	66	11.32	22	9.78	289	21.52	100	22.68
V – Bicol	33	8.94	60	10.29	26	11.56	118	8.79	43	9.75
VI – W. Visayas	35	9.49	63	10.81	21	9.33	95	7.07	28	6.35
VII – C. Visayas	27	7.32	46	7.89	19	8.44	82	6.11	17	3.86
VIII – E. Visayas	23	6.23	26	4.46	8	3.56	98	7.30	12	2.72
IX – W. Mindanao	21	5.69	38	6.52	18	8.00	55	4.10	13	2.95
X – N. Mindanao	35	9.49	52	8.92	25	11.11	68	5.06	19	4.31
XI – S. Mindanao	38	10.30	70	12.01	25	11.11	56	4.17	36	8.16
XII – C. Mindanao	11	2.98	20	3.43	6	2.67	35	2.61	10	2.27
XIII- CARAGA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10	2.27
ARMM	8	2.17	5	0.86	5	2.22	24	1.79	10	2.27

*Except for NCR, the figures refer only to broadsheets and tabloids of local circulation; the figures for NCR refer to broadsheets and tabloids of national circulation. n.a. means not available. Source: NSO 2003 *Philippine Yearbook*.

Where goes ARMM?

The importance of initial conditions to governance quality is perhaps best appreciated in the case of ARMM. The ARMM provinces of Maguindanao, Lanao del Sur, Sulu and Tawi Tawi, together with the conflict areas of Basilan, North Cotabato, Sultan Kudarat and Davao del Norte are among the impoverished areas in the country. Surely, the immediate cause of the lingering poverty is the unceasing spate of armed conflict between the military, Muslim separatist groups and, of late, terrorist groups. Without peace and order in the area, of course, it is hard for economic activities to flourish, which further induced migration of the Muslim population to other areas. The underlying reason for the peace and order problem is poverty, only made worse through time by violence.

Thus, when ARMM was established in the 1990s, it was seen as a key governance reform that could bring normality and prosperity to the region. This is because its charter endows ARMM the power to coordinate development programs within its jurisdiction, subject only to administrative oversight by the national government. However, the ARMM elections since 1990 have been marred by fraud and violence [Teehankee 2002], and the term of Nur Misuari as ARMM governor in 1996-2001 has also been mired in corruption [Danguilan Vitug and Gloria 2004]. According to Ramiro [2002]

“... the ARMM leadership created a bloated bureaucracy of 19,000 employees, which approximates the size of a national government agency like the Department of Agriculture. ...another occurrence in ARMM under the decentralized set-up had been the accumulation of unaccounted expenses and the impotence of its financial controls system to fix it. Year in and year out since 1990, the Commission on Audit (COA) has reported many cases of funds mismanagement and lack of controls. Under Misuari’s term, as early as his first year in office, COA had already issued a warning. It wrote in a report: “It is deemed imperative and necessary to institute a very strong internal control system to prevent further or at least minimize the unnecessary loss or waste of government funds which may someday drive ARMM 2000 into a stormy ocean of corruption”.”

Since Nur Misuari was the champion of Muslim autonomy, his failure as ARMM governor only served to reinforce the misconception that Muslim Filipinos have “different” notions about democracy and governance – that is, clannish and motivated by kinship ties rather than impersonal relations between the government and the people. And yet, the same can be said, in so many words, of other poor areas where local mayors dispense patronage. It is not uncommon to see in some rural areas that the municipal government is the single biggest employer in the locality²³, that people queue up where ever the mayor may be for personal favors, and that both the local leaders and their constituencies deem this the acceptable thing to do. In other words, where the economic opportunities are limited, redistributive services (as opposed to productive local public services) become more important to the people.

Thus, the merging thrust of overseas development assistance and government programs in ARMM has much to commend it. Among these ODA projects are USAID’s SWIFT, ELAP, and GEM projects and the World Bank’s SZOPAD Social Fund Project. Whereas before the greater emphasis was on peace keeping through military interventions, now the greater focus is on capacity building for government administration and expanding economic opportunities. This could yet break the vicious cycle of underdevelopment, misgovernance and violence in these regions. The responses of displaced ARMM residents to a survey in December 2001 should pinpoint the problem areas needing quick resolution. Asked about their plans to return to their places of origin, 57.25 percent (229 respondents) said that they have no plans of going back; of this group, 53.28 percent (122 respondents) said that they are not returning because “it is not peaceful yet and conflict may arise again”, and about 13 percent (30 respondents) have adjusted or found sources of income in their new places of residence [World Bank 2003].

VIII. Conclusions and policy implications

Since the promulgation of the 1987 Constitution, local government units have attained greater local fiscal autonomy. Their incremental shares in the internal revenues and expenditure responsibilities of the national government have allowed them to respond more appropriately and faster to the needs of their constituents for basic public services. Indeed, LGUs have measured up to the task. Their expenditures on health and other devolved services have started start to outstrip that of the national government. Moreover, there have been innovations in local service delivery after the LGC of 1991 than before it. All of these should indicate a faster pace of local development under decentralization.

Notwithstanding the performance of select provinces, most provinces however have registered sluggish growth since 1987. The list of richest provinces and poorest provinces in 1990 largely remained the same ten years later. This suggests that whatever growth was achieved nationally was shared unevenly across regions. One possible explanation for the imbalanced regional performance is the uneven and generally low quality of governance at the local level. While the measurement of governance quality is difficult with the available data, there is some evidence that the governance features of the Local Government Code were neither followed strictly nor sufficient to spur local development. Compliance with the establishment of local special bodies remains low and their consultation perfunctory. Except in a few exemplary cases, the expected NGO/PO-LGU cooperation was hardly realized. Yet, NGOs/POs and other civil society

²³ The current total number of LGU employees is pegged roughly at 250,000 permanent personnel and 95,000 temporary staff [Mukherjee 2004], which could be grossly conservative since some local government expenses paid to contractual personnel (“job orders”) are listed as maintenance, operating and other expenses (MOOE) rather than as personal services (PS). However, even counting PS alone, it appears that the expenditures of cities exceed the cap set under the LGC. According to the Bureau of Local Government Supervision [2002], only 35 (or 61.5%) percent of the 1st-3rd class cities have complied with the provision that no more than 45% of the IRA should be allotted to PS, and that the cities in Mindanao in this group have the lowest compliance rate (36%). However, compliance with the 55% cap among the 4th-5th class cities is higher at 75%, although the cities in Mindanao again have the lowest compliance rate (50%). A consequence of the “inordinate” allocations for wages, salaries and allowances, is lower budget for public works and infrastructures and commodities for social services such as drugs and medicines.

organizations continue to proliferate and do development work, with or without LGU support. Hence, more people now than before participate in civic affairs; more are empowered to demand better services from their local leaders, or at least to protect themselves from their officials' abuses. The upsurge in people's participation and the relatively small, though increasing, number of service innovators among the LGUs are the development dividends that can be directly traced to decentralization.

The uneven improvement in local governance quality may be due to three factors. First, the current laws and procedures blunt the effects of elections as accountability mechanisms. To be sure, elections are effective at rewarding outstanding local leaders. The reelection of the city mayors of Naga, Marikina, and Puerto Princesa, for example, may be considered as an affirmation of the people's trust and confidence in their innovative leaders. Elections, unfortunately, are equally ineffective too at punishing poor performers among politicians. In places which have not seen progress, a laggard performer may provide the sole model of leadership. This therefore indicates that initial economic conditions may also determine the acceptable quality of local governance. In poor areas, the patronage or redistributive style of leadership – the so-called *kasal-binyag-libing* support that a mayor is expected to provide to his or her constituent – is the acceptable norm. Hence, without outside intervention, these poor areas will remain in the vicious circle of penury and misgovernance.

Often providing the outside intervention, the national government thus may take partial credit or blame for the quality of local governance. In particular, the national government's handling of the police and the judicial systems bears on the ability and credibility of LGUs uphold the rule of law within their jurisdictions. Further, macroeconomic and trade policies that have differential economic impact across regions induce migration and movements of capital resources toward favored provinces or urban areas. Arguably, this also depletes rural areas of competent leaders and educated voters, which do not help improve local governance quality. Fiscal transfers likewise have not been designed to encourage resource mobilization among LGUs. The LGUs' overall dependence on the Internal Revenue Allotment is a disincentive for local leaders to raise their own revenues through real estate taxes and user fees. Without these latter taxes and fees, local residents are less compelled to hold their leaders accountable for inferior local public services. Further, government measures to benchmark LGU performance are flawed in design (since they are flaunted as "self-assessment tools") and execution (not disseminated to induce yardstick competition).

But since the national government is still in the best position to break the cycle of poverty and misgovernance at the local level, the following may be considered for policy discussions:

1. Regional growth policies should be pro-poor and must also strengthen local governance. Where local leaders have nothing to offer other than government jobs for the immediate needs of their constituents, it is unlikely that governance measures or public investments alone in poor areas are going to succeed. The various livelihood/income support programs and the governance education programs now implemented in Muslim Mindanao should help spur local development.
2. Current election laws and procedures and processes are due for a review. The three-year term limit has to be adjusted so that local chief executives will not be forced to plan for short-term projects only. Mechanisms are needed to speed up the resolution of election protests. There are reports that some election protests have taken nearly three years to resolve, thus depriving the rightful winner the clear mandate that he or she deserves.
3. In addition, the systems of recall and direct referenda have to be reworked so that they become real instruments of popular democracy rather than the distractions or nuisances that they have become. Currently, recall elections are becoming more like the political ploys of losing candidates.
4. The fiscal provisions of the Local Government Code, especially the IRA formula, need review and strengthening. To minimize its substitutive effects, the IRA formula should provide incentives to improve the collection of local taxes and other revenues. Besides making the LGUs less dependent on the IRA, it will also force them to be more efficient in their expenditures.

5. Strengthen the governance-related provisions of the Local Government Code. Monitor the composition and activities of the local special bodies, especially the Local Health Board, Peace and Order Council, Local School Board and the Local Development Council. Provide appropriate incentives or mete out the corresponding sanctions where necessary.
6. It is imperative to institutionalize simple, practical citizen-feedback mechanisms that would enable service clients to air their satisfaction or dissatisfaction with local public services, without fear of reprisal or censure, and with the assurance they would be immediately attended to. Introducing a localized version of the WB-Filipino Report Card survey would be a step in the right direction.
7. Institutionalize simple measures of the quality of local governance. More importantly, publicize, popularize and use such measures to allocate central fiscal transfers that promote the efficient use of national resources at the local level. As yardsticks, the quality indices will promote competition among local leaders as their constituents compare their performance against other officials.
8. There should be less emphasis on best practices and more on setting minimum performance standards that can be adopted in all LGUs. Review and raise the minimum standards periodically.
9. Continue to engage NGOs, POs and other civil society groups at the local level. An enabling environment should be established. Workable arrangements should be brokered between these groups and LGUs. This may involve, for example, requiring the participation of these groups in the local implementation of national programs. However, distinct accountability measures should be imposed on each party.
10. Always consider the regional or spatial impact of macroeconomic policies, trade policies and investments laws. When it is economically efficient to favor certain products, sectors or locations, certain measures are necessary to offset the effect of the induced movement of people and capital resources.
11. It would do well for the national government to impose a high level of governance in all its branches and agencies, but more specially on those basic services administered at the local level. This would include the police and juridical system.

Appendix 1. Good Governance Indicators and Performance Measurements for Local Government Units

(The following list is based on the list compiled and presented by the Governance Advisory Council on April 29- May 3, 2002 at the Asian Institute of Management Conference Center in Makati City.)

A. Index

- 1) Developing indicators of local governance in the Philippines: Towards an “ISO” for LGUs – by Dr. Alex Brillantes, UNDP. (This also appeared in the *Philippine Journal of Public Administration*, 45(1&2): 18-34. 2001).
- 2) Philippine Cities Competitiveness Ranking – Asian Institute of Management Policy Center
- 3) Development of Good Governance Indicators for Poverty Programme Assessment (DGGIPPA) – Ateneo Center for Social Policy and Public Affairs and Ateneo School of Government
- 4) Local Fiscal Performance Monitoring System (LFPMS) – Department of Finance-Bureau of Local Government Finance
- 5) Minimum Basic Needs (MBN) Approach – Department of Social Work and Development and National Economic and Development Authority
- 6) Local Productivity and Performance Measurement System (LPPMS) – Department of Interior and Local Government
- 7) Enhanced Local Productivity and Performance Measurement System (Enhanced LPPMS) – Department of Interior and Local Government
- 8) Participatory Strategic Organizational Assessment (PSOA) – Governance and Local Democracy (GOLD) Project
- 9) Financial Trend and Monitoring System (FTMS) – Department of Finance-Bureau of Local Government Finance, Bulacan Province, Naga City and Sta. Maria, Bulacan
- 10) LGSP Logical Framework Analysis – Local Government Support Program (LGSP)
- 11) Development and Installation of a Local Government Capability Classification Scheme – Local Government Development Foundation (LOGODEF)
- 12) Governance and Local Democracy (GOLD) Project – NGAs, LGUs, League of LGUS and civil society
- 13) Improved Coastal Resources Management (ICRM) – Olango Island, Cebu; San Vicente, Palawan; Malalag Bay, Davao del Sur; Negros Oriental; Bohol, and Sarangani Province
- 14) Governance for Local Development (GOFORDEV) Index – Philippine Center for Policy Studies
- 15) Local Development Indicators: A Prioritized Listing and Procedures for Compiling Local Statistics – University of the Philippines Statistical Training Center
- 16) Improved Forest Resource Management (IFRM) – selected LGUs
- 17) LGU Internal Credit Screening and Rating System (LGU ICRS) – LGU Guarantee Corporation (LGUCC)
- 18) Formulation of Performance Indicators and Standards for Development Administration (FPISDA) – Development Academy of the Philippines
- 19) Indicators of Good Governance: Developing an Index of Governance Quality at the LGU level (or Developing Indicators of Good Governance for Local Government) – R. Manasan, E. Gonzalez, R. Gaffud, Philippine Institute for Development Studies

B. Customer-Satisfaction Surveys

- 20) Citizen’s Satisfaction Index System (CSIS) – Department of the Interior and local Government
- 21) Citizens Feedback Research System (source: How to Make Local Governance Work: Listening to the Citizen’s Voice and Taking Action: The Final Scorecard) – Dr. Ned Roberto, Asian Institute of Management
- 22) Citizen’s Monitoring and Feedback Mechanism (CMFM) – Governance and Local Development (GOLD) and its selected sites
- 23) Report Card Survey of Urban/Municipal Public Services – Development Academy of the Philippines

C. Performance Measurement/Project Monitoring

- 24) Local Development Watch (DevWatch) – Department of the Interior and Local Government
- 25) Integrated Rural Accessibility Planning Phase III (IRAP III) – International Labour Organization

- 26) Improved Municipal Coastal Environment Management (IMCEM) – United States Agency for International Development
- 27) Regional Project Monitoring and Evaluation System (RPMES) – National Economic and Development Authority
- 28) Community-Based Forest Resources Management (CBFRM) – Department of Environment and Natural Resources, and the Provinces of Zamboanga del Sur, Misamis Occidental, Bukidnon, Davao del Sur, Davao del Norte, and Sarangani
- 29) Provincial Strategic Development Program (PSDP) – SCFI (Phase I) and PHILDRAA (Phase II)
- 30) City Development Strategy (CDS) – League of Cities of the Philippines, private sector, civil society, academe and the national government
- 31) Galing Pook Awards – Asian Institute of Management, Local Government Academy (and now Galing Pook Foundation)
- 32) Clean and Green Awards (Gawad Pangulo sa Kapaligiran) – Department of the Interior and Local Government

Appendix 2. Definition of variables and descriptive statistics*

Variable	Definition	No. of obs.	Mean	Std. Dev.	Minimum	Maximum
Satisfied with current administration	- 1 if the respondent is on the whole satisfied with the current local administration, 0 otherwise	1188	0.864	0.342	0	1
Satisfied with one key local official	- 1 if the respondent is satisfied with public service of the mayor, vice mayor, members of Sangguniang Bayan, members of Sangguniang Barangay, or barangay captain; 0 otherwise	3574	0.859	0.348	0	1
Member	- 1 if member of any local organization; 0 otherwise	3596	0.249	0.432		
Participate	- 1 if personally participate in the planning, implementation, monitoring or evaluation of local programs or projects	3600	0.223	0.416	0	1
Age	- Age in years	3597	41.84	14.84	18	90
Male	- 1 if male; 0 otherwise	3581	0.308	0.461		
Household Head	- 1 if head of the household; 0 otherwise	3590	0.388	0.487	0	1
College	- 1 if attended or finished college; 0 otherwise	3594	0.257	0.437		
Government Job	- 1 if working for the government; 0 otherwise	3600	0.063	0.243		
House owner	- 1 if own house and lot residing in; 0 otherwise	3597	0.669	0.471	0	1
Angat	- 1 if resident of Angat; 0 otherwise	3600	0.083	0.276		
Baliwag	- 1 if resident of Baliwag; 0 otherwise	3600	0.083	0.276	0	1
Guiguinto	- 1 if resident of Guiguinto; 0 otherwise	3600	0.083	0.276	0	1
San Jose del Monte	- 1 if resident of San Jose del Monte; 0 otherwise	3600	0.083	0.276		
Braulio E. Dujali	- 1 if resident of Braulio E. Dujali; 0 otherwise	3600	0.083	0.276		
Panabo	- 1 if resident of Panabo City; 0 otherwise	3600	0.083	0.276	0	1
Sto. Tomas	- 1 if resident of Sto. Tomas; 0 otherwise	3600	0.083	0.276	0	1
Samal	- 1 if resident of Island Garden City of Samal; 0 otherwise	3600	0.083	0.276	0	1
Asuncion	- 1 if resident of Asuncion; 0 otherwise	3600	0.083	0.276	0	1
Tagum	- 1 if resident of Tagum City; 0 otherwise	3600	0.083	0.276	0	1
Re-elected Mayor	- 1 if the incumbent mayor was re-elected in 2001; 0 otherwise	3600	0.750	0.433	0	1
Year 2002	- 1 if year is 2002; 0 otherwise	3600	0.333	0.472	0	1
Year 2003	- 1 if year is 2003; 0 otherwise	3600	0.333	0.472	0	1

Appendix 3. The survey data used in the probit regressions

The survey data used in the probit regression are collected under the Governance Project of the Philippine Center for Policy Studies. Under this project, three-rounds of household surveys were undertaken to evaluate the impact of the introduction of the Governance for Local Development (GOFORDEV) Index in 12 pilot cities and municipalities. The three rounds of household surveys were first conducted during April-May 2001, then during February-April 2002, and then finally during February-March 2003. Six of the pilot areas are five municipalities and one city in Bulacan, namely: Angat, Baliwag, Guiguinto, San Jose del Monte City, Plaridel and Bustos. The other six are three municipalities and three two cities in Davao del Norte, namely: Asuncion, Braulio E. Dujali, Sto. Tomas, Panabo City, Island Garden City of Samal and Tagum City.

In each survey period, a total of 1,200 respondents were sampled or 100 each from the pilot areas, for a total of 3,600 household respondents in the course of the project. The 100 samples in each pilot area are selected through two-stage proportional random sampling technique. In the first stage, the sample barangays are selected based on household proportions; and then, within each sample barangay, the sample household based on fixed interval sampling starting from the barangay hall, but along a randomly selected road leading from the hall. The household respondents are selected based on age (at least 18 years old), household membership status (preferably the household head or spouse) and years of residence in the area (at least two years). The instrument used was an interviewer-administered questionnaire.

While most of the variables used in the regression were collected during survey round, the variable for the satisfaction with the current local administration was only collected in 2003. Hence, the number of observations for this variable including missing responses is only 1,200.

The surveys were conducted with local academic institutions, namely: Bulacan State University, University of Regina Carmeli, Ateneo de Davao University, University of Southeastern Philippines and University of the Immaculate Conception.

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