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CONDITIONS FOR EFFECTIVE DECENTRALIZED GOVERNANCE: A SYNTHESIS OF RESEARCH FINDINGS

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Abbreviations

ADB	Asian Development Bank	MFPED	Ministry of Finance, Planning and Economic Development
ARMM	Autonomous Region of Muslim Mindanao	MILF	Moro Islamic Liberation Front
AUSAID	Australian Agency for International Development	MNLF	Moro National Liberation Front
BIR	Bureau of Internal Revenue	MOE	Ministry of Education
CAO	Chief Administrative Officer	MOH	Ministry of Health
CAR	Cordillera Autonomous Region	MOLG	Ministry of Local Government
COA	Commission on Audit	NCR	National Capital Region
DBM	Department of Budget and Management	NGO	Non-Governmental Organization
DECS	Department of Education, Culture and Sports	NPC	Nationalist People's Coalition
DEO	District Education Officer	NRM	National Resistance Movement
DHO	District Health Officer	OLS	Ordinary Least Squares
DILG	Department of Interior and Local Government	PAF	Poverty Action Fund
DOF	Department of Finance	PCGC	Political Commission on Graft and Corruption
DOH	Department of Health	PP	Philippine Peso
DPWH	Department of Public Works and Highways	PTA	Parent-Teacher Association
DSC	District Service Commission	PTCA	Parent-Teacher Community Association
EPI	Enhanced Program on Immunization	RDC	Resident District Commissioner
HUMC	Health Unit Management Committee	SEF	Special Education Fund
ICRG	International Country Risk Guide	SMC	School Management Committee
IGG	Inspector General of Government	SPCD	Southern Philippines Council for Peace and Development
IRA	Internal revenue allotment	SWS	Social Weather Stations
Laban	Laban ng Demokratikong Pilipino	TB	Tuberculosis
Lakas	Lakas ng EDSA-National Union of Christian Democrats	TEEP	Third Elementary Education Program
LAMP	Laban ng Masang Pilipino	UNICEF	United Nations International Children's Emergency Fund
LGA	Local Governments Act	UPE	Universal Primary Education
LGC	Local Government Code	Ush	Ugandan Shilling
LGU	Local Government Unit	VAT	Value-Added Tax
LTB	Local Tender Board	VHC	Village Health Committee
		WHO	World Health Organization

Exchange Rates

US\$1 = 50.15 Philippine Peso (PP)

US\$1 = 1830 Uganda Shillings (Ush)

Executive Summary

Under what conditions does decentralized governance prove most effective? This paper starts unraveling this question by presenting the main results from a field study of decentralization in two countries: the Philippines and Uganda. Specifically, the paper analyzes the impact of selected institutional and social factors on decentralized public health and education service delivery and governance quality.

The theoretical arguments in favor of decentralization stress allocative efficiency (matching of local preferences for public goods), increased productive efficiency and integrity, and better cost-recovery. The possible disadvantages of decentralization noted in the literature include potential failures of policy coordination, tendencies toward “elite capture” of local governments, and failures due to inadequate capacities in local government. It should be noted, however, that favorable outcomes from decentralization depend on placing responsibility for different types of public goods at appropriate levels—e.g., goods where local features dominate at the local level, and those with strong spillovers at higher levels.

The actual outcome of decentralization, to a significant degree, depends on certain conditions that are explicitly or implicitly assumed in traditional analyses, notably the presence of key *institutional disciplines*. The paper focuses on three kinds of institutional disciplines:

- *Civic disciplines* are those associated with the capacity of citizens, media, and non-governmental organizations to make their views known to the government (“voice”), and to switch to other localities or suppliers of services (“exit”).
- *Intergovernmental disciplines* are those exerted between different levels of government. Examples include central government oversight of local government operations, or budgetary constraints (or limits to taxing authority) imposed by the center on lower levels of government.
- *Public sector management disciplines* are the ways in which each government body regulates and constrains the behavior of its own officials. Examples include anti-corruption provisions, performance-based recruitment and promotion, and provision for periodic audits.

Focusing on these factors makes it possible to evaluate the conditions for successful decentralized governance against a backdrop of largely uniform formal institutions defining a country’s political and administrative hierarchy. In other words, the formal structures of decentralized governance define incentives and resource allocations across the public sector, but they are far from being the whole story.

The Philippines and Uganda have decentralized within unitary structures that (largely) do not vary across regions. While moving authority and resources to lower levels, this strategy has put in place a system of policy development, fiscal allocation, and governance monitoring that is mainly top-down in nature. Such an outcome, however, appears to be typical, especially in the absence of federal arrangements. Despite this, decentralization in the two countries is substantial and has encouraged local political mobilization and policy initiative, although in both countries,

a complex mixture of formal checks, centripetal politics, and administrative rigidities make local governments much less responsive than they could be.

The studies presented here entailed the administration of nine survey instruments in each country—to households, officials at two sub-national levels, as well as schools and health facilities. The subject matter and frequently the questions were repeated across surveys in an effort to collect comparative data that could also be cross-checked and analyzed with some confidence. The research also included key informant interviews and the collection of documents and secondary data.

The paper provides results in three main areas:

- measuring government performance (i.e., the extent to which the advantageous aspects of decentralization—allocative efficiency, increased integrity and reduced corruption—were realized);
- assessing the impact on government performance of three sets of determinants (i.e., civic, intergovernmental, and administrative disciplines); and
- evaluating the effects of performance (and its determinants to a lesser extent) on the outcomes of public services (e.g., immunization and primary school enrollment rates, household satisfaction with public services, and incidence of childhood diseases).

The main results of the paper are as follows:

Civic disciplines on sub-national governments in Uganda and the Philippines may be substantially weaker than anticipated by the theories of decentralization, including fiscal federalism. Voting patterns and rationales do not differ significantly for local and national elections, although there is some evidence that government officials' knowledge of local conditions is better at the local than at the national level.

The study revealed important *constraints on information flow*, which can be expected to exert a major influence on the quality of governance and of service delivery. Citizens in both countries (Uganda more so than the Philippines) rely substantially on community leaders rather than the media for information on local politics and corruption. This raises the potential for state “capture” of local government by the elite and may explain the apparent weakness of local accountability in practice. In Uganda, moreover, there is credible survey evidence linking citizen information access to the quality of education. Information flow in the opposite direction—i.e., conveying preferences of the local population to officials (“voice”)—appears less constrained in both countries than access of households to information.

The theoretical concern about *locating authority for public goods at appropriate levels* gains support in the evidence from both countries. In Uganda, while immunization programs are “vertical” initiatives of the central government, they rely substantially on local support. Data on preferences of households suggest that further investment in improving immunization delivery does not occupy a high priority in most communities. Local governments appear to have grasped this, and many have failed to invest scarce resources effectively in the necessary personnel, storage systems, and equipment. While this choice might be wise in light of competing

priorities, it does suggest at least an important tension between the central government's commitment to childhood immunization and its devolution of important aspects of the delivery system (a public good with "spillovers"). In the Philippines, the reverse seems to be true of primary education. There, centralization appears to impose tangible costs in terms of governance, efficiency, and responsiveness.

Corruption, as expected, remains an important concern in both countries. As for the causes of corruption, the paper produced some evidence on the effects of discretion, voting patterns, and media access. Households in both countries generally perceived there to be more corruption in higher levels of government, and officials at higher levels usually reported a greater scope of discretion. Data from the Philippines showed a clear association of discretion with corruption, and suggested a negative impact of voting participation and media access on corruption.

The research also demonstrated some *significant deleterious consequences of corruption*. Most notable was the adverse effect of corruption on health care services and health outcomes in the Philippines.

The research aimed to uncover evidence of *the interaction between decentralized government and social status differences* such as ethno-linguistic and religious identity. On the whole, these did not prove highly significant as determinants of access to public services or governance quality, although they were cited as problems in the primary schools and with respect to standardized test scores, and they did have an effect on information access and political participation. Moreover, the data from both countries suggest that non-meritocratic criteria, which include political and kinship relations, intrude significantly into personnel management decisions.

Hierarchical constraints were evident. Local officials reported substantial restrictions on their ability to adjust funding and service delivery to local demand. Higher-level governments (at the provincial/district level) reported significantly more discretion, either across the board (Uganda) or with respect to funding allocation (the Philippines). Governments at this level also reported stricter accountability, for example in the form of audits. This is consistent with the more general picture that discipline in these two systems usually runs from the top down. Moreover, the pattern of increasing discretion at higher levels broadly corresponds to reports of greater corruption at higher levels.

In short, while decentralization in both countries has moved authority and resources to sub-national governments, the results do not match the most optimistic theoretical expectations. Local governments in the Philippines and Uganda are not consistently responsive to local preferences, although they appear to be aware of local preferences. In most cases they cannot break out of the procedural, resource, and governance constraints that prevent them from responding. Perhaps the most notable concern regarding decentralized governance in these contexts is the flow of information from governments to their constituents. Here, particularly outside major urban centers, there arise the possibilities of government capture by local elites, with potentially harmful consequences for governance and public service delivery. Thus, the cases of Uganda and the Philippines both suggest caution in the planning of decentralization processes.

This concern goes beyond the possibility that the theoretical benefits may have been diluted due to incomplete decentralization. First, the theoretical prerequisites for fiscal federalism (or full political decentralization) are sufficiently broadly defined that their existence in any case lies in the eye of the beholder. Second, it would be difficult to find another poor developing country that has pursued decentralization as rigorously over a period of years as the Philippines and Uganda. Third, there can, of course, be too much of a good thing. Effective decentralization implies restraints from above and below, hence limits beyond which it becomes dysfunctional. The research presented here addresses itself less to the optimal *extent* of decentralization than to *conditions* that appear to produce the best results within the range of decentralized arrangements practicable in developing countries.

Chapter I: Introduction

Events around the globe clearly show that decentralization has long since “arrived” as both a public sector reform model and a development strategy. More recently the debate on decentralized governance appears to be taking a healthy turn from theoretical arguments to the marshalling of empirical evidence, and from the sweeping to the particular. The question, “Is decentralization a good or a bad idea?” is gradually yielding its status as the central preoccupation in this area. That there are no generic answers is increasingly recognized, and political developments have in many cases made the question moot.

This paper summarizes the results of research that analyzed the conditions for effective decentralization in the Philippines and Uganda.¹ Hence, this paper proposes a particular way of framing the decentralization question: under what conditions does decentralized governance prove most effective? This way of framing the issue places the emphasis not on the *merits* of decentralization (i.e., as compared to centralization), but on the manner and conditions in which it is undertaken. Assessing the impact of institutional arrangements on the performance of decentralization required the development and application of an empirical research methodology enabling the measurement of public sector performance across sub-national governments and sectors, along with the investigation of performance determinants such as formal institutional and social arrangements. The two country studies focused on performance of decentralized public service delivery in two sectors—primary health care and primary education.

The paper unfolds as follows. The second chapter reviews the theoretical and methodological framework for the research studies, and the third chapter provides an overview of the decentralization processes in the Philippines and Uganda. The fourth chapter presents findings from the researchers’ effort to measure the performance of decentralized governance, in terms of outputs, efficiency and integrity, including corruption. The two subsequent chapters address the sources of discipline on sub-national governance arrangements by looking at civic and political pressures, intergovernmental relations, and disciplines within the public administration. Information flow plays a particularly important role here, as documented by survey findings. The seventh chapter explores the linkages from sources of discipline to public sector performance, and in turn to the quality of public service outcomes. The impact of governance on health and education outcomes is sometimes starkly evident. The final chapter discusses the implications of all this on the levels of policy and research.

¹ This paper forms part of a series produced under a grant from the World Bank’s Netherlands Trust Fund. The other papers include a literature review as well as empirical studies undertaken in the Philippines and Uganda.

Chapter II: Conceptual and Research Framework

This chapter presents the framework of the country studies, along with the main features of the data set. The discussion begins with the conceptual background of the studies, including their relationship to theoretical and empirical literature. Next, the research design and methodology are described and discussed. Finally, the salient characteristics of the data collection effort and data set are presented.

Conceptual Framework

How did this research evolve conceptually? It arose in the first instance, in response to the body of literature and past empirical research in this area, which is briefly reviewed here, focusing mainly on theoretical expectations about decentralized governance.

Arguments in Favor of Decentralization

The impact of governance arrangements on decentralized public service delivery needs to be considered against the background of the standard arguments for decentralization. The advocates of decentralization argue that decentralizing the delivery of local public goods *without* substantial inter-jurisdictional spillovers² improves the efficiency and responsiveness of the public sector in at least three ways—by promoting allocative efficiency, by fostering productive efficiency and accountability, and by facilitating cost recovery.

(i) Promoting allocative efficiency

The most common theoretical argument for decentralization is that it improves the efficiency of resource allocation. It is said to promote allocative efficiency by allowing greater differentiation of resource allocations across jurisdictions according to the demand in each locality. Sub-national governments are argued to be in a better position than the central government to ensure that services delivered match the preferences and circumstances in the jurisdiction.

Two main reasons are advanced for this. First, because sub-national governments are closer to the people than the central government, they are considered to have better information than the central government about the preferences of local populations (Hayek 1945, Musgrave 1959). Hence, in this view, they are better informed to respond to variations in local demand for goods and services. Second, sub-national governments are thought to be more responsive than national governments to variations in demand for public goods. In this view, decentralization increases the likelihood that governments respond to the demands of local populations by promoting competition among sub-national governments (Tiebout 1956) and between public and non-governmental service providers. Competition allows for a variety of bundles of local public goods to be produced, and individuals reveal their preferences by moving (“voting with their feet”) or choosing alternatives. This is seen to pressure sub-national governments to pay

² If local public goods or services have substantial inter-jurisdictional spillovers, they may be under-supplied by local governments and, thus, their decentralization is typically not recommended.

attention to the preferences of their constituents and tailor the service delivery accordingly, whilst risking the loss of tax revenues (Oates 1968, 1972; Salmon 1987; Breton 1996; Qian and Weingast 1997).

(ii) Increasing productive efficiency and accountability

Decentralization is also argued to improve efficiency by fostering accountability, reducing corruption, and increasing cost-effectiveness in the government (Ostrom, Schroeder, and Wynne 1993). In this view, since sub-national governments are closer to the people, citizens tend to be more aware of sub-national governments' actions than they are of actions of the central government. Also, the mobility of labor can impose discipline on sub-national governments: they must provide goods and services efficiently, or risk losing their tax base as citizens (both labor and capital) "vote with their feet." Further, it has been argued that more effective incentive schemes can be designed if local officials are responsible for local outcomes. Some cross-country studies provide evidence of a link between decentralization and improved governance (Fisman and Gatti 1999, Huther and Shah 1996).

Moreover, it has been argued that decentralizing functions to sub-national units closer to the population will increase consensus and legitimacy concerning the choice of public services. This, in turn, can be expected to foster cooperation and vigilance, as well as acceptance of adherence to rules of public sector integrity (Meagher 1999). This would be especially true where the financing of public services is devolved via the assignment of tax instruments or the collection of user fees. In the latter case, incentives for effective governance arise according to the logic of "market-preserving federalism," in which clear *ex ante* institutional arrangements, budget constraints, and revenue expectations drive local government to maximize cost-efficiency and constituent service (Qian and Weingast 1997).

(iii) Facilitating cost recovery

Making services more demand-responsive through decentralization is thought to have the added benefit of increasing households' willingness to pay for services (Briscoe and Garn 1995, Litvack and Seddon 1999). Households in this view are more willing to pay for services (in funds or in kind) that match their demand. Local governments may also exert greater fiscal effort and raise more revenues if they can determine how the revenues are used. Also, the tighter the circuit of public service finance and delivery, and the more transparent the system is, the more obvious the bite of systemic corruption becomes to sub-national governments and communities. This strengthens the incentives of sub-national governments and their constituents to monitor revenue collection, planning, expenditure, and service delivery. This in turn helps increase willingness to pay both taxes and fees.

The Case Against Decentralization

The arguments against decentralization fall into two main categories, those focusing on national effects and those concerned with local effects. First, sub-national governments may use their new-found power in ways that exceed the distribution of authority and resources from a national perspective. One variant of this would be local government policymaking in areas that have

clear inter-jurisdictional spillovers, hence would be more appropriately located within a higher level of government. This usually concerns provision of high-level public goods such as environmental quality and preventive public health interventions, where the incentives of local government units (LGUs) would usually be adverse to expending scarce resources (Oates 1999). Another variant of this problem is the adoption of local policies that undermine high-level policy objectives such as an open internal market or harmonized fiscal policy. Here, not only might the devolution of tax and regulatory authority open the door to irrational policymaking, but it may also lead to a decentralization of corruption, given the vulnerability of these areas to abuse (Shleifer and Vishny 1993). Some researchers have found evidence of greater corruption in decentralized systems (Treisman 2000), although others have found the opposite, as suggested above.

The second major *contra* argument concerns the possibility of elite capture of local government (Bardhan and Mookherjee 1998). Decentralization increases the probability of this by sharing authority and resources with government units outside the capital, many of them in rural areas, where political restraints on capture are likely to be weaker. People also tend to pay less attention to local than national elections, especially where election cycles are frequent. This helps open the door to undue influence by narrow interests on local government (World Bank 2000). In principle, of course, various institutional and political disciplines might be brought to bear that effectively counteract these dangers. A third argument against decentralization—also focused on local effects—suggests that local governments’ capacity to manage effectively is likely to be much less than that of central governments (Prud’homme 1995).

When Does Decentralization Produce Benefits in Practice?

Experience with decentralization is mixed. Both the small number of rigorous empirical studies in this area, as well as the public record of decentralization efforts, show limited success within a generally disappointing array of experiences. Decentralization does not necessarily promote allocative efficiency, reduce corruption and waste, or facilitate cost recovery. Also, theoretical predictions on decentralization suggest that only certain forms of decentralization, or better, *decentralization under certain institutional arrangements*, will work. Whether decentralization in fact improves or harms public sector performance appears to depend on formal institutional arrangements, as well as their interaction with social practices, influencing the implementation of decentralized governance. These would include the distribution of powers among levels of government, the disciplines operating from within and outside government (e.g., hierarchical oversight and voting), as well as principal-agent information flows (e.g., sources of citizen perceptions of corruption).³

In the course of reviewing these (by now well-known) arguments, and in designing this study, it became apparent that whether either the supposed advantages or supposed disadvantages of decentralization materialize depends on the presence of certain *institutional disciplines*. These are implicit in both the economics and political science literature on decentralization. Three

³ For a more detailed discussion on how institutional arrangements are likely to influence the performance of decentralized service delivery, see the literature review paper by Azfar, Kähkönen, Lanyi, Meagher, and Rutherford (1999).

kinds of such disciplines were defined for the purpose of this study: civic disciplines, intergovernmental disciplines, and disciplines related to public sector management.

- *Civic disciplines* are those associated with the capacity of individual citizens, media, and non-governmental organizations to make their views known to the relevant government officials and bodies—a capacity sometimes referred to as “voice”—and with mechanisms, such as voting, that induce officials to take these views into account in their decision making. Another civic discipline is that of “exit”—for example, switching to privately supplied services, or moving away from jurisdictions with poor public services.⁴
- *Intergovernmental disciplines* are those exerted between different levels of government: for example, central government oversight of local government operations, or budgetary constraints (or limits to taxing authority) imposed by the central government on lower levels of government. One manifestation of such disciplines is “adjustability”—i.e., the discretion a local jurisdiction has to take decisions in response to local needs.
- By *disciplines related to public sector management* are meant the ways in which each government body regulates and constrains the behavior of its own officials: for instance, anti-corruption provisions, performance-based recruitment and promotion, and provision for periodic audits. Key to the effectiveness of these disciplines is the capacity of a governmental unit to manage its affairs—that is, the competence of its officials.

The failure of such disciplines to operate might lead to an adverse experience with decentralization; on the other hand, the successful operations of these disciplines are, the study hypothesizes, correlated with relatively successful delivery of public services.

Although these disciplines may serve as a useful conceptual device, the distinctions among them should not be overstated. Underlying all three disciplines are political calculations influenced in turn by civic behavior and the structure of the political system. The government’s responsiveness to the citizenry is shaped by such factors as the extent of political competition at each level of government, the basis of political representation (e.g., geographic constituency, at-large, or party list), and the breadth of policy authority and political initiative at each level of government.

Research Design

The overall objective of this study is to analyze how selected arrangements—both formal institutions and social practices—influence governance in a decentralized system, and specifically the performance of decentralized service delivery. The research has three specific aims:

First, it sets forth criteria for assessing the *performance* of decentralized public service delivery. These criteria center on the following questions:⁵

⁴ The concept of “exit” employed here extends beyond the original theory of Tiebout, since the latter focused on household displacement from one jurisdiction to another.

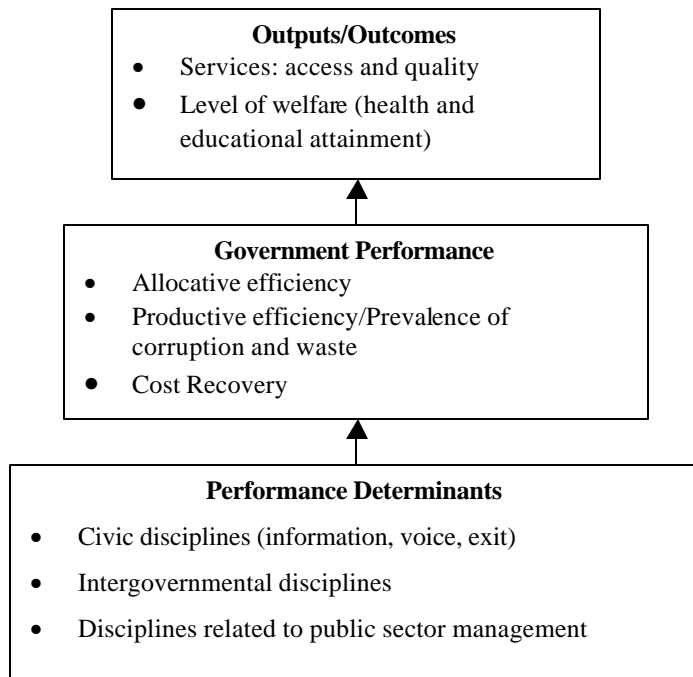
⁵ Criteria related to cost recovery were not examined, due to data quality problems and project resource constraints.

- Has the public sector under decentralization provided services that respond to the local demand and, if so, to whose demand?
- Is inefficiency or corruption prevalent in this system?

Second, the research analyzes how selected *institutional arrangements and practices* influence the performance of decentralized public sector service delivery. In other words, under what arrangements—governance and oversight structures, electoral and accountability systems, civic and social practices—are the benefits of decentralization are likely to materialize? How strong are civic and public sector disciplines, and what effect do these have on government performance? While the *extent* of decentralization is quite important, and while this study does look at service sectors that are decentralized (or centralized) to different degrees, the study focuses mainly on the contrast (or counterfactual) between sectors and jurisdictions that do or do not have effective disciplines in place. This approach allows for the testing of hypotheses in a small number of comparable jurisdictions in the same country.

Third, the studies assess the outputs and outcomes of public services delivery in the selected sectors. One would expect that public service providers who perform well provide outputs that have a significant impact on the population. Thus, the study investigates the outputs and outcomes of public service provision. Output indicators include: the quantity, quality, and access to public services (i.e., primary health care and primary education), along with user satisfaction with those services. Outcome indicators include relevant welfare indicators such as household satisfaction with services, infectious disease incidence, mortality and morbidity, literacy, and educational attainment. Figure 1 illustrates this proposed chain of influence.

Figure 1. Research Logic



Data Collection

In order to test the proposed chain of influence, data was collected from two countries, the Philippines and Uganda. Both of these countries undertook ambitious and well-documented decentralization programs in the 1980s and 1990s. The study focused in each country on two public service sub-sectors: primary health care and primary education. In each country, these fields were affected by the decentralization, but the approaches taken were different.

In both countries, decentralization moved significant decision-making responsibility to the highest level of sub-national government (province in the Philippines, district in Uganda), although funds and responsibilities continued to filter down to the next lowest level (municipality in the Philippines, sub-county in Uganda), which played a more significant role as a direct service provider to the population. For these reasons, as well as considerations of cost and logistics, the study focused on the municipality and sub-county levels as the primary units of analysis in the Philippines and Uganda, respectively, constructing samples of these within a smaller number of sample provinces and districts. To analyze outputs and outcomes of decentralized service delivery and determinants of performance, data had to be gathered on the two service sectors at each of the following levels: household, facility (school and health unit), local government (municipality/sub-county), provincial government (province/district).

Focusing the study on two countries, while allowing the exploration of some issues in depth, limited the scope of the analysis. If the sample of countries and service sectors numbered only two each, and the decentralization processes in those countries were (largely) symmetrical, this meant that there could be no meaningful variation in the sample with respect to formal institutions.⁶ Within each country and each sector, the arrangements were *de jure* the same. This meant that empirical data collection and analysis (with respect to the determinants of performance) needed to focus on *de facto* administrative discretion and accountability, actual local government efforts at preference-matching, information flows, and citizen practices of voice and exit. The survey questionnaires were framed so as to capture information and perceptions from each type of respondent on essentially the same range of governance, performance, output, and outcome issues—although differences in emphasis were unavoidable. Annex Table 1 presents the main instruments used in the Philippines and Uganda, with the topical coverage of each type of instrument.

In the Philippines, the following survey instruments were administered: (1) a household survey, (2) a provincial health officials survey, (3) a provincial administrative officials survey, (4) a provincial education officials survey (a survey of officials serving in the provincial office of the central ministry, DECS), (5) a municipal health officials survey, (6) a municipal administrative officials survey, (7) a municipal education (DECS) officials survey, (8) a health clinics survey, and (9) an elementary schools survey. The household survey covers 1120 households living in 20 provinces,⁷ 81 municipalities, and 301 neighborhoods or *barangays*. In each of the municipalities and provinces where households were selected, the team also interviewed

⁶ Also, the researchers could not collect time-series data enabling a rigorous comparison of conditions before and after decentralization.

⁷ Some provinces in the troubled south were not surveyed for safety reasons.

provincial and municipal administrators, health offices and education (DECS) officers. Staff members in 160 health clinics and 160 schools were also interviewed.

Similarly, in Uganda, the research team used nine survey instruments: (1) a household survey, (2) a district health official survey, (3) a district education official survey, (4) a sub-county health official survey, (5) a sub-county administrator (Sub-county Chief) survey, (6) a health facility survey, (7) a primary school principal survey, (8) a primary school teacher survey, and (9) a pupils test. Data was collected in 75 sub-counties, chosen randomly from 10 quasi-randomly selected districts, and officials were interviewed in each district as well.⁸ In each sub-county, 15 households were chosen from 4 randomly selected villages, and officials interviewed in the sub-county government, primary schools, and health facilities. In total, 1125 households, 140 health facilities, 149 primary schools (including 155 teachers and their pupils), 260 sub-county officials, and 38 district officials were interviewed.⁹ Also, teacher and pupil instruments were used to check capacity and outcomes at the classroom level.

Some problems of data quality and comparability are worth noting. In general, there were greater difficulties in collecting complete and reliable data in Uganda. Public finance and budgeting data at the local level in particular were not forthcoming. Corruption data, always subject to doubt about reliability, were especially so in Uganda. The research team performed several reliability tests, including correlations among government officials' perceptions of corruption, among households' perceptions, and between households and officials. In Uganda, the data passed the first two tests but failed the third. In the Philippines, the data passed all three tests, which gives more confidence in the Philippines corruption data.

With respect to comparability between countries, some difficulties arose due to the sheer divergences between the two nations' systems and social dynamics. Some questions could not be asked the same way in both countries. Also, for reasons of precision and resource constraints, some of the methods used in the first round of data analysis (Uganda) had to be adjusted in the second (the Philippines). However, in general, there is a large area of overlap where questions and data are comparable. In addition, data analysis included the construction of indices in each country, covering such areas as *de facto* flexibility in local administration, prevalence of corruption, meritocracy in hiring, accountability, and capacity issues.

⁸ Some districts were taken out our pool before random selection because they could not be surveyed for safety reasons.

⁹ In all surveys, there were some missing observations.

Chapter III: The Institutional Settings

This chapter provides a brief comparative overview of decentralization structures and processes in the Philippines and Uganda.¹⁰ This discussion centers on the *institutional framework* for decentralization, which in part determines the *extent* of devolution—that is, sub-national autonomy. A background discussion of definitions and approaches to assessing the scope of decentralization is provided in Box 1. A comparison of the structures in Uganda and the Philippines is provided in Table 1 at the end of this chapter.

Box 1: Defining Decentralization

One must distinguish among (i) centralized functions, where policy, finance, and administration are direct and exclusive responsibilities of the national government; (ii) deconcentrated functions, for which central government has full responsibility, but administration is handled by national civil servants working out of regional or district offices (with the center retaining direct control over policy and finance); and (iii) devolved functions, where policy, finance, and administration are directly and exclusively under the control of sub-national governments. This study deals to some extent with all three types of arrangements, although the focus is primarily on devolved functions. The description here of the three kinds of functions follows the usual pattern of setting them forth as ideal types, whereas in reality they comprise more of a continuous gradation than a set of sharply demarcated contrasts. Most obviously, devolved functions are never purely so in reality, since these are always carried out with reference not only to local constraints such as budgetary resources and provincial charters, but also to central disciplines embodied in national constitutions and oversight jurisdiction. In all three cases, politics and civic action can exert pressure in ways that often cross-hierarchical boundaries.

In other words, the question of whether a function is devolved is a question of degree: to what extent is a function devolved? Addressing this means answering several more specific questions: to what degree does the local government unit (LGU) in question have the administrative power to adjust services and budgets to match preferences, to direct and sanction employees in order to improve performance, and otherwise to respond to feedback and change? How complete is its political authority over these areas—i.e., to what degree can it come up with a policy, take charge of implementing it, and be held accountable? To what extent does it, fiscally, have (a) adequate potential sources of funds and inputs, and (b) a hard budget constraint that forces it to incur pain when it under performs on revenue collection? A purely *de jure* answer to these queries, based on applicable legal and policy documents, will not suffice. Formal arrangements only partly determine practice, hence it is necessary to look at some other factors to judge the extent of *de facto* devolution. A number of political and social arrangements enter into the determination of where authority for a given matter actually lies—a determination that may or may not be consistent across sub-national districts that are *de jure* uniform.

Structural Overview

The Philippines

Decentralization in the Philippines was mandated by the new democratic constitution of 1987. The Local Government Code (LGC), enacted in 1991 and implemented in 1992-93, significantly

¹⁰ For a more detailed treatment, see the companion papers on the two countries.

increased the responsibilities and resources of sub-national governments. In addition, it mandated regular elections for local executives and legislative bodies. The Code devolved “basic services” to local governments—these include most health services along with such infrastructure provision as school, clinic, and local road building. Local government units (LGUs) have authority to create their own revenue sources (within firm limits), as well as to enter international aid agreements. The President exercises “general supervision” of the legality and appropriateness of LGU actions (this is the basis for central government suspension of local administrations).

There are 77 provinces, 69 cities, 1538 municipalities, and 41,359 barangays in the Philippines (Brillantes 1998). Under the LGC, the provinces administer tertiary health services (e.g., hospitals) and are involved in social welfare services and infrastructure provision. Whereas provinces are envisioned in the Code as “dynamic mechanism[s] for developmental processes and effective governance” within their component local governments, municipalities are expected to be the primary general-purpose units of government and the delivery points for most basic public services. Municipalities have responsibility for primary health care, disease control, purchase of supplies and equipment necessary for this, as well as municipal health facility and school buildings. Cities have essentially the equivalent of the combined authority of provinces and municipalities, and have only barangays as their component LGUs. The barangay, the lowest formal level of government, is described in the Code as the “primary planning and implementing unit of government policies...” In practice, the barangays have little policymaking or planning capacity, although they have significant fiscal resources in comparison to their responsibilities.

To help defray the cost of devolved expenditures, Section 284 of the Local Government Code provided for 40 percent of central government revenues collected three years before to be transferred back to sub-national governments through the Internal Revenue Allotment (IRA). Provinces and cities received 23 percent each of the total transfer, municipalities 34 percent and barangays 20 percent. For each class of government except barangays, the IRA was allocated 50 percent by population, 25 percent by land area, and 25 percent as an equal share, resulting in considerable disparities in per capita transfers. Municipalities thus spend approximately 10% of central government revenues from three years before, which works out only to 3% of present expenditure (due to borrowing and the three year lag). Provinces also received limited new taxing authority over local natural resource exploitation, agriculture, and other business activities, although the assessment basis for the local property tax was reduced.

The implementation of decentralization has proceeded unevenly. It apparently progressed steadily until 1995, then the momentum stalled and demoralization started setting in. This was particularly true among devolved personnel in the health sector, who received little support—the 1995 legislative proposal in Congress to address this by renationalizing parts of the health sector was vetoed. Other signs have been more positive. In recent years observers have seen evidence of innovation at the local level, a deepening of decentralized operations, local management becoming more project- than handout-oriented, and increasing pressure for improved performance (especially in public services).

The Philippines has seen two proposed autonomous regions addressed in regional referenda. Only the Autonomous Region of Muslim Mindanao (ARMM) can be deemed a “live” experiment in regional autonomy, although it is not considered a success. ARMM contains four non-contiguous provinces that approved the autonomy arrangement by referendum, and replicates most functions of the central government at the regional level. Regarding fiscal affairs, only income taxation is out of bounds for ARMM. Importantly, ARMM keeps 60% of all internal revenue taxes collected within its borders, in contrast to the IRA's formula-driven distribution of 40% to other LGUs. ARMM's education and health policies are regarded by some as failures, since UNDP statistics show the region as having the lowest functional literacy, life expectancy, and per capita income of all Philippine regions. ARMM is required by the Organic Act to devolve powers to lower levels, but has not effectively done so. Thus, although health and education are more devolved to the regional level than elsewhere, the component provinces and municipalities in practice have less autonomy than others. Corruption is said to be rife, expenditure heavily infrastructure-oriented and unplanned (and Human Priority Expenditures per capita extremely low), and the regional government essentially reduced to a nepotistic employment agency (Gutierrez and Danguilan-Vitug 1997).

Uganda

The 1995 Constitution of Uganda provides a general framework for decentralization, which is spelled out in more detail in the 1997 Local Governments Act (LGA). There are five levels of local government: village, parish, sub-county, county and district. Of these, only the district and sub-county levels have both political authority and significant resources. For this reason, the 53 districts and the 800 sub-counties are the focus of this paper. Local governments are said to have “autonomy,” i.e., legislative and executive authority within their listed areas of jurisdiction. The District Council list includes primary and secondary education, a range of primary health services (including certain hospitals and health centers, maternal-child health, communicable disease and vector control, and health education), and basic services in the areas of water provision, roads, planning, and licensing. A number of the listed areas, including primary education, community-based health services, hygiene, and low-level health units, are to be devolved by the district to lower-level councils.

Two (potentially) important checks are provided between levels in the governmental hierarchy. First, lower-level enactments must be forwarded for constitutional review to higher levels. Second, lower level governments are charged with monitoring the performance of higher-level public officials working in their areas and with the provision of services and implementation of projects by higher-level governments. The law also defines exacting standards and procedural requirements for the convening of ministerial commissions of inquiry and for the takeover of local administrations by the President.

Local government revenue sources are defined in the law to include the graduated (head) tax, property tax, and a list of licenses and fees. Local governments may adopt additional taxes, but only with the approval of the Ministry of Local Government. This essentially limits local governments to minor variations from the list, since the law provides no standard by which the Minister approves or disapproves of proposed new revenue sources. The sub-county level acts as the primary local tax collector (unless agreed otherwise), remitting 35% of collections to the

district level (50% in urban areas), and passing on smaller shares to lower level governments. District governments are supposed to distribute 30% of revenues raised in the district to lower levels of government according to a formula based on child mortality, the number of school age children, population and area. In addition to locally raised revenues, the central government gives three main kinds of grants to local governments: unconditional grants, conditional grants and equalization grants. The equalization grants are directed to those localities lagging behind in some kind of public service provision.

Sectoral Issues: Health and Education

Health

Assessments of decentralization's impact on public health service provision in *the Philippines* are mixed, with experts concerned about deterioration in the technical quality and administration of the programs, but most people expressing more positive views. For example, in a Social Weather Stations (SWS) survey in June 1999, 58% of respondents said that health care had improved with decentralization, 8% said it worsened, and 34% said it stayed the same (GOLD 1999). Despite scandals in centralized medicine procurement, the purchase of many medicines has in fact been decentralized, and as a result many observers now say that medications are more appropriate and there is less leakage of resources out of the system than previously. On the other side, studies suggest that the Philippines made its most notable public health system advances in the 1980s—bolstering programs on malaria, immunizations, TB, maternal and child health, and other areas to counter a stagnation in health indicators from the late 1970s into the 1980s—and that things have slid since then (World Bank 1994).

The main concern of health experts is that decentralization risks disruptions due to loss of scale and coordination, decline in technical training and quality, and weak local demand for health-related public goods such as immunization and infectious disease control. There is indeed some evidence that LGUs are realigning the health system to meet perceived local needs. From the national perspective, this usually means local over-investment in capital projects, underfunding of operations and maintenance, intervention in personnel matters, and underspending on spillover services. The obvious tradeoffs are efficiency gains vs. equity losses, and national vs. local health objectives. The most serious risks involve the potential loss of technical integrity/quality, in part due to asymmetries between increased local authority and lagging local capacity. The absence of a robust center-local assistance mechanism or a well-established health management system increases these risks (World Bank 1994).

From the sub-national perspective, not surprisingly, the central government is to blame for most of the difficulties. These frequently involve some form of unfunded mandate. For example, between 20 and 40 district hospitals (out of 225 total) built with Congressional fund allotments (“pork”) and subsequently devolved to the provinces are now being re-nationalized. Provincial governors said they could not afford to operate them. By one estimate, the hospitals comprised some 60% of public health expenditure, and were overused due to their subsidized service provision (there appeared to be a political bar to imposing user fees) (Manasan 1993). When these became a provincial responsibility, they acted as a major drain on local finance, among other things diverting resources from basic primary health services. Also, even if the provinces

did invest the necessary funds in them, the governors could not easily claim political credit, since hospitals were traditionally a central responsibility. Another unfunded mandate was the 1993 'Magna Carta' for health workers, which guaranteed a relatively high salary scale. One final source of local unhappiness with the central government's role is the evidence of massive corruption in centralized drug procurement for the public health system, mentioned previously.

Public health programs on immunization, communicable diseases, and malaria continue to be run primarily by the central government, although the details of local cooperation and support inevitably vary. Another program area with substantial central (and donor) input is family planning, although this is not vertically managed as such. The vast majority of LGUs offer the full range of family planning services, though a few "pro-life" governors and mayors restrict this to natural methods—an indication that they are exercising their authority to implement local preferences (or their own preferences).

In *Uganda*, health specialists often express alarm at the likely impact of decentralization on health services. They point out that successful decentralization of health services can be expected to take 5 to 10 years, and requires reorganization of the Ministry of Health (MOH). There appear to be two structural flaws in the design of decentralization as it affects health services. First, even under the decentralization reforms, health units in Uganda have little incentive to manage costs effectively or to respond to local demands. Many important decisions remain under central control, and those that have been devolved to the district do not filter down, thus creating an "inefficient centralized system within each district" (Hutchinson 1999: p 75). Salaries and staffing decisions come from the district, drugs are mainly sent from the center, and hospital funding has been based on the existing number of beds. The conditional grants for health, as in other areas, reduce local flexibility over the use of funds—they contain recommended staffing patterns, negative lists for procurement, etc. Also, both national and local politicians tend to support the building of new health units to increase their influence locally, but without considering recurrent costs. The health committees envisioned under the LGA, as a means of mobilizing local participation in health management, appear to operate (where they do) under no binding constraints as to the timetable of meetings or openness to the general public. Thus, by design, local governance cannot have a defining role in health care—even if it is effectively organized.

Second, the expansion of local power into certain areas of health care that have spillover effects is bound to create anomalies. Decentralization by definition potentially endangers vertical programs. It requires new systems at the district level that did not exist before, and it inevitably confronts contrary preferences and incentives of local governments who have other priorities. Immunization programs in Uganda are the responsibility of the central government, but the districts now exercise control over supplies and cold chain maintenance. In the case of malaria control, the MOH contributes by setting standards and guidelines, technical support and supervision, training, supporting epidemic control, and monitoring, but local fiscal contributions and to a lesser extent primary health care conditional grants are subject to being diverted toward competing local health care priorities.

A number of steps have been taken with the aim of combating corruption and inefficiency in Uganda's health sector. Whereas vaccines and essential drug kits were formerly distributed to

the districts based on local returns, now the MOH collects data and projects these needs, allocating supplies accordingly. Also, Uganda's Health Management Information System has been put in place to collect and manage data on health system inputs, needs, and outcomes. These approaches help to dilute pre-existing strong incentives to over-report both input needs and outputs such as immunization coverage. To increase transparency, health unit fees (but not budgets) are required to be posted, and overcharging has often led clients to complain to the local health committees. Some local health committees have taken the further step of opening the drug kits sent to the districts and comparing quantities to official records. Facility inspections by district and sub-district-level health staff also provide a safeguard, but even the wealthiest LGUs do not appear to have the means to ensure regular inspection of all facilities.

Education

Primary education is not formally decentralized in the *Philippines*, although local politics and administration do play a role. Primary enrollment figures in the Philippines look impressive, with official estimates at 99% in 1990. However, there are stark regional variations in access and quality, and in addition, only 68% of enrolled children actually complete primary school (Manasan 2000, EIU 1999, World Bank 1996, interviews). The roles of the state and the private sector in the education system have been shifting. The share of state schools in the primary education sector has been estimated at 96.3% in 1981-2, down to 92% in 1997-98. Cost-efficiency and quality are widely thought to be much lower for public than private institutions (Manasan 2000).

Governance of public education is centralized under the administration of the Department of Education, Culture and Sports (DECS), but with some (at times significant) local input. DECS is still said to be "highly centralized and top-down." As a result, there is "very little room for autonomous decision-making at the level of the division or the school" (Manasan 2000: 5). The LGC assigns school building construction and repair to the local governments, and LGUs have shown notable initiative in this area. However, the center is responsible for practically everything else, including policy, curriculum, personnel, and operations. Plans are being formulated for devolving education, but are stalled for political and other reasons. One often-cited reason is that school teachers count votes and therefore decentralizing education would compromise the integrity of elections. Local institutions with a formal role in education governance include the School Boards at provincial and municipal levels (mainly for programming the Special Education Fund, see below), and the Parent-Teacher Community Associations (PTCAs, essentially the same as PTAs elsewhere) for each school.

In some respects, there is more national-local interplay in administration of the education system than the fact of formal centralization implies. *De facto*, governors and mayors both approve appointments and intervene to influence hiring. As envisioned in the Local Government Code, DECS chooses local school teachers and administrators in consultation with local School Boards. Governors and mayors try to influence teacher hiring and transfer. Local governments supplement their teaching staffs as well as teacher salaries. Education is in fact fully devolved (to the regional level) in one part of the country—ARMM—although the results are disappointing.

The budgeting of financial resources in particular is highly centralized in the Philippines. A local school board “does not have any influence on how the DECS budget for the division or district offices is allocated across expenditure items...”(Manasan 2000:5). This means that local school financing reflects the central trends in education funding, e.g., a rise in public education funds going to secondary and tertiary education since 1986, also the fact that funding goes disproportionately to personnel across the board—it is the single biggest item in the DECS budget (World Bank 1996, Manasan 2000). At the same time, the local share of education finance has grown. There is a major tax earmark for education, the Special Education Fund (SEF), whose uses are determined by local school boards under the terms of the LGC. However, the school boards are reputedly weak on accountability for SEF funds. Many of them apparently use SEF funds to hire additional teachers or to top off teacher salaries—although this is not permitted under the IGC. In addition, there is centralized procurement of school texts and other supplies, which almost inevitably suffers inefficiencies and abuses, given the scale of the undertaking. Here again, there is at least anecdotal evidence that centrally-procured materials are inappropriate and untimely, and the ombudsman's office cited a major textbook procurement scandal arising from this system. This picture is changing, however. Some LGUs and schools supplement this with procurements of their own, and the Third Elementary Education Project is supporting, among other things (see above), a decentralization of procurement and other management decisions.

In *Uganda*, decentralization is as serious in the primary education field as in health, but appears to pose fewer dangers. Divergent spending priorities in education usually involve conflicts between the needs of teacher payrolls and those of school buildings. The curriculum and most of the funding for primary education in Uganda flow from the center. The most important funding source for primary education in Uganda is the Universal Primary Education (UPE) program of grants funded through a combination of debt-relief funds, national revenues, and other donor funding. These grants include capitation grants (per student, up to four per family), classroom construction funds (based on enrollment levels), teacher salary grants based on a periodically-fixed pupil-teacher ratio, and in-kind grants of material, such as tin roofing and cement (but the latter are being phased out). Despite the allocation of such resources, teacher pay is a problem. The districts recruit teachers and pay them with conditional grant funds according to uniform pay scales approved by the Ministry of Education (MOE). Payroll problems, however, have resulted in some teachers working as long as two years without pay.

The School Management Committee, which is distinct from but often associated (or overlapping) with the PTA, appears to be the most important governance mechanism dealing with education locally. These committees are empowered to sign checks for the headmaster, oversee the schools, and investigate problems—their powers are spelled out in the Education Act. The committees also oversee school construction and improvements. This is important for two reasons: first, good facilities encourage students to attend school more regularly and for longer, thus helping improve performance, but second, this function presents the committees with potential opportunities for overreaching (Uganda Debt Network 1999).

* * *

To conclude, both the Philippines and Uganda have undertaken programs of decentralization moving significant political authority, sectoral policy initiative, and resources to lower levels of government. A common element in these two and in many other countries is the tendency to devolve responsibilities (including required personnel) without the requisite resources. This, in turn, means limited local fiscal autonomy and heavy reliance on central grants. It also encourages the phenomenon of politically-driven construction spending that creates unfunded mandates in the form of matching resources and maintenance costs—thereby squeezing other high-priority funding needs, such as vaccine storage and learning materials. Another similarity is the far greater attention paid in the decentralization laws and related instruments to the upward vertical accountability of LGUs to the center, as compared to checks that run in the opposite direction.

At the same time, a few important differences in decentralization in the Philippines and Uganda are evident. The Philippines has explicitly devolved to both the provincial and municipality levels, whereas Uganda devolved to the district level and has called for the districts to devolve authority to lower levels. As a result, municipalities in the Philippines as a rule have a uniform set of legally defined powers and standards to operate within, while Uganda has left the further devolution of authority to lower levels largely to the discretion of the districts. This not only allows greater asymmetry across the board, but it also tends to create districts that are internally centralized and so less accountable downward. Of course, the Philippines has a much more asymmetrical structure in formal terms, due to the existence of ARMM, which displays even greater centralizing tendencies internally. Another obvious difference is the fact that the Philippines has not devolved primary education to sub-national governments, although this does not by any means prevent meaningful intervention by the provinces and municipalities. A difference that is not at all obvious from this presentation is the apparently greater availability of both legal and political recourse by local governments against the center in the Philippines. This seems to account for the clearer demarcation of responsibilities and resources there, as compared to Uganda. One last difference that will become apparent later in this paper is the greater penetration of the news media outside the capital in the Philippines, as compared to Uganda. This could have a significant impact on governance.

Table 1: Structural Comparison of the Extent of Decentralization

Component of Decentralization	Philippines	Uganda
Political authority devolved	Executive and legislature elected (province and municipality) Basic services devolved (not education) Devolution to both province and municipality ARMM: devolution to region	Executive and legislature elected (district and sub-county) Basic services devolved Devolution mainly to district, then filter down to sub-county
Fiscal authority devolved	Create own taxes within limits SEF earmark Unfunded mandates Tax recovery and revenue autonomy low	LGUs mainly limited to lists of taxes District has most control over local revenues/expenditures
Grant mechanisms	IRA: largest share to municipalities but base varies “Pork” allotments	Unconditional, conditional, equalization grants
Sectoral authority devolved: Health Education	Immunization, disease control, malaria still mostly central Hospitals to provinces (but many renationalized) Primary health care, disease control and clinic buildings to municipalities Education: centralized Schools: responsibility for buildings to municipalities	Most primary health care and primary education to districts Immunization is a vertical (central) program, but LGUs provide necessary support. Local committees should bring local voice, but ineffective
Intergovernmental disciplines	President can supervise and suspend LGUs Central oversight bodies, onerous audits LGUs can legally hold center accountable	President can take over district LGU enactments subject to review by supervening level Resident District Commissioners (RDCs) and central oversight bodies (districts) Restrictive grant conditions District can legally hold center accountable
Civic disciplines	Population politically active Patrimonial tradition, spoils system Media widely available and affect outcomes	Population politically active mainly in Kampala Movement limits political competition Limited media penetration
Public sector management	Personnel: central mandates, LGUs try to ignore or control Procedures limit flexibility	Personnel: central mandates, LGUs try to pass costs to lower levels Procedures limit flexibility and cause delays

Chapter IV: Measuring Performance

How has the decentralized public sector performed in the Philippines and Uganda, with respect to the provision of primary education and health care services? This chapter looks, first, at the supply and quality of these services in the two countries and the level of access by households. The discussion then turns to an assessment of government performance according to the criteria of allocative and productive efficiency.¹¹ The factors shaping government performance in these areas are examined in the following two chapters.

Education and Health Care: Access, Service Quality, Outcomes

This part reviews survey responses on access, quality, and outcomes of health and education services. The objective here is to provide illustrative data that provide evidence as to whether the public sector is meeting the set objectives and that can be used later in the paper for analyzing the impact of disciplines and performance levels on sectoral outcomes. The results are also checked against existing secondary data, to provide a more complete and updated picture. A selection of this secondary data is presented in Table 2.

Table 2: Uganda and the Philippines—Comparative Welfare Indicators*

	GNP per capita	# televisions/1000 population	Adult literacy	Primary school enrollment	Immunization-Measles
Uganda	US\$320	26	65%	122, gross enrollment 93, net enrollment	60%
Philippines	US\$1020	108	95%	117, gross enrollment 100, net enrollment	83%

	Adult HIV Infection Rate	# Doctors per 100,000 population	Infant mortality rate per 1000 live births	HDI rank
Uganda	8.3%	4	97	158
Philippines	.06%	11	32	77

* Sources: UNDP (2000), World Bank databases. GNP per capita is calculated using the World Bank Atlas method and is not adjusted for purchasing power parity.

Secondary data indicates that access to health and education services and welfare indicators differ starkly between the Philippines and Uganda. The data in Table 2 also refer to two contributing factors. The fact that per capita GNP in Uganda is only 30% that of the Philippines surely explains some of the disparity. The related fact that the population of the Philippines has much greater access to electronic media, as measured by television sets per 1,000 population, turns out to be quite important in the analysis of civic disciplines.

The data collected through surveys from these countries confirm that disparities exist. The data show differences in the incidence of communicable diseases covered by immunization programs

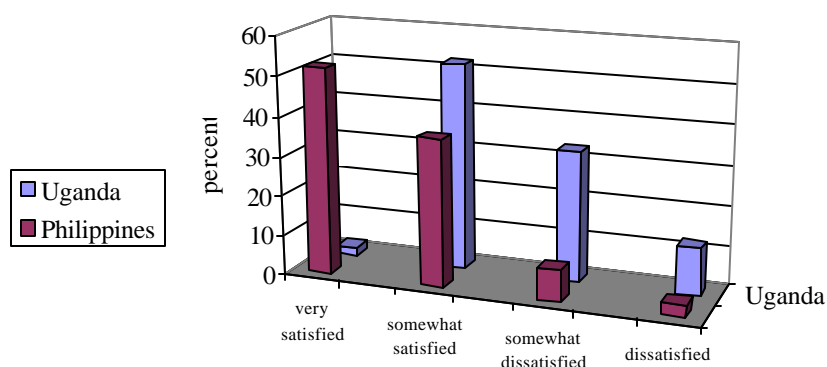
¹¹ Rigorous assessment of performance with regard to cost recovery proved infeasible owing to data and time constraints.

in each country. Table 3 provides these comparisons for polio and measles and indicates that the incidence of polio and measles are higher in Uganda than in the Philippines in the survey sample. Measures of household satisfaction with public health services show an equivalent disparity—89% of respondents in the Philippines reported high or moderate satisfaction with government health units, while only 54% of Ugandans did so (Figure 2). Also, regarding the completeness or quality of health care delivered at the facility level, the surveys found that 85% of facilities in Uganda had all of the four basic vaccines available, and 54% reported having trained personnel available to administer immunizations. The comparable figures for the Philippines were 92.5% and 86%.

Table 3. Communicable Diseases

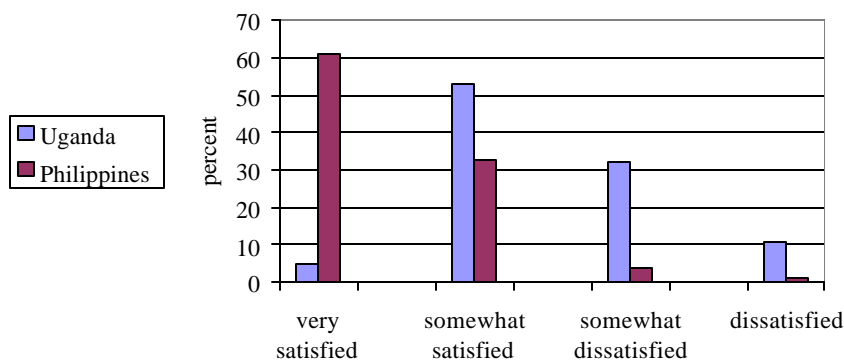
	Uganda N=1929		Philippines N=2521	
	Number of cases	Percent	Number of cases	Percent
Polio	11	0.6%	6	0.2%
Measles	534	28%	337	13%

Figure 2. Household Satisfaction with Government Health Units



In the education sector, the survey data show similar primary enrollments in the two countries, while reported satisfaction with schools is significantly higher for the Philippines than Uganda (Figure 3). While 86% of primary school-age children are in school in the Philippines and 84% in Uganda, Ugandan households report a greater primary school drop-out rate. 15% of households in Uganda (compared to zero in the Philippines) reported that their child had dropped out of school. Education officials report concerns about ethnic and racial tension in the schools at comparable rates (28% in the Philippines and 25% in Uganda report racial or ethnic tension), but reports of religious tension are significantly more pronounced in Uganda (19% in the Philippines and 30% in Uganda report religious tension).

Figure 3. Household Satisfaction with Primary School (percentage of households)



More generally, the data from the Philippines and Uganda do not show a heavy socio-economic bias in access to public services. In Uganda, however, income levels do affect vaccination rates, and those with Luganda as their mother tongue do have higher than average income (as do two other groups) and use private health services more frequently than others.¹²

Allocative Efficiency: Preference-matching

The classic argument of fiscal federalism is that local governments can better match public goods and services (of a local character) to preferences. In examining preference-matching, it is necessary first to investigate whether preferences really vary in important ways across jurisdictions—and in the Philippine and Ugandan contexts, whether these variations are across the upper-level LGUs (provinces/districts) or across lower-level LGUs (municipalities/sub-counties) within the larger units. Without such variation, it would not be possible to test whether local officials match particular local preferences (insofar as the latter deviate from the national mean). It is thus also important to investigate whether public officials are aware of the differences between local preferences and those in the larger political units. More fundamentally, if there is no actual demand for a given public service, then this also renders moot the arguments for improved productive efficiency following decentralization. Citizens are unlikely to exert political pressure to improve the delivery of goods and services that they do not really want.

The research team collected data on preferences from households, who were asked to identify what *one* activity the local government should fund if some additional funds were made available (that is, households were not allowed to specify multiple activities). Data on household preferences, in Uganda and Philippines respectively, are presented in Tables 4 and 5.

¹² See the companion country papers for further discussion of this issue.

Table 4. Uganda: Household Opinions on Sub-County Government Funding Priorities: Percentage of people citing the sector as priority for additional funding, by district; ^{1, 2, 3} indicators of significance of variance of preferences across sub-counties and districts ^{4, 5}

		Primary education	Secondary education	Immunization	Malaria control	HIV/AIDS	Other health service	Roads	Water	Agriculture	Salaries of public officials	Other
Sample	N=1114	21.98	2.97	1.02	3.78	0.72	12.58	14.52	30.57	11.86	0.00	0.00
Masaka	N=106	17.98 (-0.96)	2.25 (-0.42)	0.00 (-1.00)	5.62 (0.95)	1.12 (0.48)	3.37 (-2.75)	28.09 (3.83)	33.71 (0.67)	7.87 (-1.22)	0 (n/a)	0 (n/a)
Luwero	N=105	16.48 (-1.33)	7.69 (2.79)	2.2 (1.17)	10.99 (3.80)	4.4 (4.40)	4.4 (-2.47)	23.08 (2.44)	20.88 (-2.11)	9.89 (-0.61)	0 (n/a)	0 (n/a)
Rakai	N=134	25.83 (1.09)	4.17 (0.83)	0.83 (-0.22)	2.5 (-0.79)	1.67 (1.32)	9.17 (-1.20)	25.00 (3.49)	20.83 (-2.48)	10.00 (-0.67)	0 (n/a)	0 (n/a)
Lira	N=160	31.78 (2.89)	0.00 (-2.13)	0.00 (-1.24)	0.00 (-2.42)	0.00 (-1.03)	23.26 (3.95)	8.53 (-2.07)	31.78 (0.32)	4.65 (-2.72)	0 (n/a)	0 (n/a)
Apac	N=120	38.53 (4.46)	1.83 (-0.74)	0.00 (-1.12)	0.00 (-2.20)	0.00 (-0.94)	18.35 (1.93)	15.6 (0.34)	23.85 (-1.61)	1.83 (-3.45)	0 (n/a)	0 (n/a)
Kumi	N=75	28.57 (1.38)	5.71 (1.41)	2.86 (1.58)	1.43 (-1.07)	0.00 (-0.74)	10.00 (-0.67)	5.71 (-2.17)	17.14 (-2.53)	28.57 (4.52)	0 (n/a)	0 (n/a)
Pallisa	N=118	15.45 (-1.75)	3.64 (0.44)	0.91 (-0.13)	0.00 (-2.21)	0.00 (-0.94)	8.18 (-1.47)	5.45 (-2.87)	59.09 (7.05)	7.27 (-1.58)	0 (n/a)	0 (n/a)
Tororo	N=59	6.67 (-2.54)	0.00 (-1.20)	2.22 (0.82)	2.22 (-0.56)	0.00 (-0.58)	4.44 (-1.68)	0.00 (-2.84)	68.89 (5.80)	15.56 (0.78)	0 (n/a)	0 (n/a)
Bushenyi	N=165	12.00 (-3.22)	0.67 (-1.80)	2.00 (1.29)	5.33 (1.08)	0.00 (-1.13)	12.67 (0.04)	10.00 (-1.71)	28.67 (-0.55)	28.67 (7.08)	0 (n/a)	0 (n/a)
Ntumango	N=72	18.46 (-0.71)	6.15 (1.57)	0.00 (-0.85)	13.85 (4.43)	0.00 (-0.71)	27.69 (3.82)	20.00 (1.30)	10.77 (-3.60)	3.08 (-2.27)	0 (n/a)	0 (n/a)
F-test 1 ⁴		4.14 (0.00)	1.85 (0.05)	0.84 (0.59)	5.01 (0.00)	2.33 (0.01)	5.12 (0.00)	5.69 (0.00)	12.11 (0.00)	5.28 (0.00)	n/a	n/a
F-test 2 ⁵		1.28 (0.06)	0.91 (0.68)	0.73 (0.96)	0.95 (0.59)	0.86 (0.80)	0.8 (0.89)	0.98 (0.54)	1.51 (0.00)	1.21 (0.11)	n/a	n/a
E(β^2) ⁶		67.4 28.87	3.39 (1.55)	-0.03 -1.97	17.13 -1.71	1.01 -0.79	50.97 -25.79	68.92 -3.91	288.21 77.89	73.84 18.42	n/a	n/a

¹ T-statistic in parentheses

² Means and t-statistics shown are calculated treating missing values as non-observations. There are no significant differences in the results if such people are treated as not considering any issue to be important.

³ T-statistic of test of hypothesis that the percentage of people considering an issue to be the most important is different than the mean across all other districts.

⁴ The F (10, 968) statistic and (P value) resulting from an F-test from a regression of the difference of each variable from the mean against dummy variables for all districts is shown. A P-value of less than 5 percent indicates that preferences vary significantly across districts.

$$6.E(\mathbf{b}^2) = \frac{1}{N} \sum_N \hat{\mathbf{b}}^2 - se(\hat{\mathbf{b}})^2 \text{ for subcounties belows districts}$$

⁵ The F (75,903) statistic and (P-value) resulting from an F-test from a regression of the difference of each variable from the district mean against dummy variables for all sub counties is shown. A P-value of less than 5 percent indicates that preferences vary significantly across sub-counties.

Table 5. Philippines: Household Opinions on Municipality Priorities

Percentage of people citing the sector as the priority for additional funding, by province;¹ indicators of variance of preferences across municipalities and provinces

province	Road, bridges, canal	New jobs	Education	Aid to poor	Health	Water, drainage	Housing	Agriculture/Irrigation	Sport complex/ Recreation Center	Other
Isabela (n=93)	47.31 (2.47)	1.06 (-3.57)	9.68 (-0.18)	3.22 (-2.97)	8.60 (0.00)	4.30 (-1.94)	3.23 (0.05)	4.30 (1.09)	0.00 (-0.52)	18.3
Nueva Viscaya (n=41)	46.34 (1.51)	4.88 (-1.59)	2.44 (-3.14)	7.32 (-0.33)	12.20 (0.70)	9.76 (0.29)	0.00 (-1.45)	0.00 (-1.01)	0.00 (-0.48)	17.06
Bulacan (n=67)	19.40 (-3.19)	8.96 (-0.38)	10.45 (0.06)	23.88 (2.89)	10.45 (0.49)	1.49 (-4.63)	16.18 (2.91)	0.00 (-1.13)	1.49 (0.18)	7.7
Pampanga (n=60)	30.00 (-0.75)	11.67 (0.33)	21.67 (2.14)	3.33 (-2.29)	8.33 (-0.07)	5.00 (-1.19)	8.33 (1.44)	0.00 (-1.10)	0.00 (-0.50)	11.67
Zambales (n=27)	3.72 (-8.31)	11.11 (0.13)	14.82 (0.66)	29.63 (2.33)	7.41 (-0.23)	11.11 (0.44)	0.00 (-1.35)	0.00 (-0.98)	0.00 (-0.46)	22.2
Batangas (n=41)	7.31 (-6.59)	26.83 (2.37)	17.07 (1.15)	21.95 (2.03)	7.31 (-0.31)	2.44 (-2.43)	2.42 (-0.28)	0.00 (-1.01)	2.39 (0.50)	12.28
Cavite (n=51)	13.73 (-4.26)	3.92 (-2.31)	15.68 (1.07)	15.77 (1.37)	9.80 (0.28)	5.88 (-0.75)	9.80 (1.59)	0.00 (-1.06)	0.00 (-0.49)	25.42
Laguna (n=20)	5.72 (-2.53)	14.00 (0.75)	14.00 (0.77)	6.00 (-0.79)	34.00 (3.75)	4.00 (-1.57)	0.00 (-1.32)	0.00 (-0.95)	6.00 (1.41)	16.28
Negros Occidental (n=67)	23.88 (-2.02)	11.95 (0.42)	10.45 (0.07)	28.36 (3.55)	7.46 (-0.34)	0.00 (-5.44)	0.00 (-1.52)	4.48 (0.98)	0.00 (-0.51)	13.42
Bohol (n=37)	35.14 (0.08)	8.10 (-0.48)	0.00 (-5.12)	5.45 (-0.88)	21.63 (1.90)	5.41 (-0.79)	2.71 (-0.15)	0.00 (-1.00)	2.70 (0.55)	18.86
Cebu (n=77)	40.25 (1.03)	12.90 (0.70)	11.69 (0.41)	7.32 (-0.33)	7.80 (-0.26)	10.39 (0.57)	1.30 (-1.40)	0.00 (-1.18)	0.00 (-0.52)	8.35
Samar (n=41)	51.22 (2.11)	0.00 (-6.16)	4.87 (-1.57)	0.00 (-4.61)	2.44 (-2.52)	7.32 (-0.26)	2.43 (-0.28)	9.76 (1.67)	0.00 (-0.48)	21.96
Zamboanga del Sur (n=94)	56.39 (4.26)	8.51 (-0.62)	14.89 (1.27)	0.00 (-4.88)	1.07 (-7.08)	9.58 (-0.32)	0.00 (-1.57)	2.12 (0.10)	1.07 (-0.16)	6.37
Bukidnon (n=55)	47.27 (1.88)	9.09 (-0.31)	9.09 (-0.29)	0.00 (-4.70)	9.09 (0.12)	7.28 (-0.32)	0.00 (-1.45)	0.00 (-1.10)	0.00 (-0.50)	18.18
Tawi-Tawi (n=28)	35.14 (0.13)	10.72 (0.07)	3.57 (-1.86)	0.00 (-4.44)	0.00 (-4.18)	21.43 (1.65)	3.57 (0.13)	0.00 (-0.98)	0.00 (-0.46)	25.57
Agusan del Norte (n=42)	26.20 (-1.20)	35.71 (3.39)	4.76 (-1.64)	7.15 (-0.38)	7.14 (-0.35)	11.91 (0.68)	2.33 (-0.31)	2.39 (0.17)	2.39 (0.48)	0.02
Surigao del Norte (n=42)	57.14 (2.93)	9.52 (-0.17)	0.00 (-4.19)	7.32 (-0.38)	4.76 (-1.15)	11.91 (0.69)	2.38 (-0.31)	0.00 (-1.01)	2.39 (0.48)	4.58
Surigao del Sur (n=41)	36.59 (0.27)	9.76 (-0.11)	2.43 (-3.18)	7.32 (-0.33)	9.76 (0.25)	4.88 (-1.03)	0.00 (-1.38)	2.49 (0.19)	2.44 (0.50)	24.33
Misamis Oriental (n=42)	40.48 (0.78)	7.14 (-0.78)	7.14 (-0.76)	4.77 (-1.19)	2.38 (-2.60)	14.28 (1.08)	2.39 (-0.31)	9.53 (1.65)	1.38 (0.48)	10.51
NCR (n=63)	20.64 (-2.69)	11.11 (0.21)	12.70 (0.59)	9.52 (0.22)	4.76 (-1.42)	28.57 (3.52)	1.59 (-0.97)	3.18 (0.54)	3.17 (0.87)	4.76
Total (n=1029)	365 (35.47%)	109 (10.59%)	108 (10.50%)	92 (8.94%)	91 (8.84%)	89 (8.65%)	33 (3.21%)	21 (2.04%)	13 (1.26%)	108 (10.50%)
t-test ²	11 (12)	5 (5)	5 (6)	5 (5)	5 (6)	4 (5)	8 (8)	12 (12)	9 (9)	
F-test ³	9.27 (0.00)	3.48 (0.00)	2.01 (0.01)	3.51 (0.00)	2.90 (0.00)	2.29 (0.02)	1.35 (0.19)	0.72 (0.65)	1.32 (0.22)	
F-test ⁴	2.45 (0.00)	1.29 (0.05)	1.86 (0.00)	1.62 (0.00)	1.53 (0.00)	1.09 (0.29)	1.95 (0.00)	1.50 (0.00)	0.70 (0.98)	
E(â ²)	0.94 (0.36)	0.56 (0.21)	0.27 (0.22)	0.87 (0.51)	0.33 (0.22)	0.36 (0.21)	0.18 (0.13)	0.17 (0.12)	0.09 (0.07)	

¹ T-statistics in parenthesis tests the hypothesis that the percentage of people considering an issue to be the most important is different from the mean across all other districts: 38 are significant at 5% out of 300 cases.

² Number of times the t-statistics testing the equality of provincial preferences with national preferences is significant at 5% (10%).

³ The F(19,1039) statistic and P-value (in parenthesis) resulting from an F-test from a regression of the difference of each variable from the mean against dummy variables for all provinces is shown. The P-value of less than 5 percent indicates that preferences vary significantly across provinces.

⁴ The F(80,978) statistic and P-value (in parenthesis) resulting from an F-test from a regression of the difference of each variable from the province mean against dummy variables for all municipalities is shown. The P-value of less than 5 percent indicates that preferences vary significantly across municipalities.

Preferences for primary education and primary health care services for additional spending were tested at each of the two local government levels.¹³ In both countries, there were large differences in household preferences across provinces/districts over the use of additional funds with respect to education and a number of other public services, including aspects of health care. One notable result for Uganda was the consistently low priority given by households to additional funding for immunization as a component of health care. However, preference differences at the municipality/sub-county level were significant only in the Philippines and not in Uganda.^{14, 15}

In general, the results indicate that household preferences are different in Uganda and the Philippines, perhaps reflecting the fact that the survey question referred to *marginal* spending. Also, the two public sectors probably are operating off quite different bases, and as a result different mixes of policies and goods are under consideration. As shown in Tables 4 and 5, in the Philippines, roads and related infrastructure ranked first overall, with 35% of respondents citing it as the top priority for additional funds, followed by “new jobs” (10.5%), and education (10.5%). By contrast, in Uganda, water supply ranked first with nearly 31%¹⁶ (8.6% in the Philippines), followed by education with nearly 25%, and health services with a combined 18.5% (8.8% in the Philippines).

The finding that households in Uganda¹⁷ seemed to place low priority on using the additional funds for immunizations does not mean that there is no demand for immunization. There are a number of reasons why households may not name immunization: (1) their demand may already be satisfied—they know it is already being provided with existing funding; (2) immunization may be the second or third most important priority (e.g., behind clean water); and (3) some important services may be of worse quality than immunizations and thus in need of additional funding. Nevertheless, this finding is striking in light of the evidence presented elsewhere in this paper of the deficiencies in immunization services and the incidence of childhood diseases for which immunizations are offered. Households’ preferences may be influencing LGUs’ failure to supply adequate locale support to the central government’s immunization programs.

Given the dispersion of household preferences across jurisdictions, to what extent do public officials recognize and match these preferences? Officials were asked what they thought their

¹³ To formally test for differences in preferences for education across provinces/districts, the researchers created a dummy variable for whether the household responded that the additional money should be spent on primary education. The average number of households that responded “primary education” was subtracted from this variable to create a variable of mean 0 and this variable was then regressed on province/district dummies. The F-statistic for joint significance of the dummies, tests for the equality of preferences across provinces/districts.

¹⁴ For a complete presentation of the methodology and results, the reader should refer to the two companion country studies.

¹⁵ Municipality/sub-county level preferences were also tested for dispersion. The researchers constructed a variable equal to the difference between the dummy for “education” and the province/district mean of “education” responses. This variable has a mean 0 by construction within each province/district. This variable was then regressed on all the municipality/sub-county dummies. The F-statistic measures whether there are significant differences in preferences for education across localities within provinces/districts.

¹⁶ In Uganda, only 34% of households were reported to have access to improved water sources during the period 1990-96, as compared to 83% in the Philippines (World Bank 2000).

¹⁷ Differences between the surveys for Philippines and Uganda made it impossible to infer comparable conclusions for the Philippines.

constituents' expenditure priorities for additional funds were. To formally test for a match between households and officials preferences for the use of additional funds, the researchers regressed the public officials' responses on households' actual preferences at the national level, at the province/district level, and at the municipal/sub-county level (for municipal/sub-county officials). Variables for the last four regressions represent the deviations from the national average. The results appear in Table 6.

In both countries, the match between household preferences and official perceptions is impressive, but in the Philippine case, the results are strongly driven by the exceptional priority placed on roads and related infrastructure. Also, in both countries, the match appears significant but much weaker at the municipal/sub-county level, and essentially non-existent at the provincial/district level. In each country, officials were also asked what steps they took to elicit information on service preferences from the public, but in neither case was the choice of any particular method significantly related to success in recognizing constituent funding priorities. Lastly, in Uganda, officials were also asked about actual funding allocations, but these were only weakly related to recognized local preferences.

Table 6. Correlation between public officials preferences and household preferences for funding priorities¹

	National Average		District/Province Officials		Sub-county/Municipal Officials	
	Uganda	Philippines	Uganda	Philippines	Uganda	Philippines
Household Preferences	0.974*** (12.02)	0.960*** (3.44)	0.042 (0.19)	0.269 (1.27)	0.188** (2.47)	0.150 (1.36)

¹ OLS regression coefficients; T-statistics are in parentheses.

** Significant at the 5-percent level.

*** Significant at the 1-percent level.

Further, analysis suggests that ethno-linguistic and religious differences do not intrude heavily in these local governance arenas. Some groups, such as Baganda/Lugandaphones in Uganda and the Ilocano in the Philippines, appear more effective at communicating their preferences to officials, but again these are not matched by actual funding commitments by the LGUs.

In summary, the research found some match of officials' and households' preferences, looking at officials at the sub-county level in Uganda and the municipal level in the Philippines. The same was not true of provincial/district level officials. As is pointed out later in the paper, constraints to local officials' flexibility in resource use, inefficiencies and other internal constraints, and political pressures all seem to conspire to thwart LGUs' matching of even those constituent preferences that they recognize.¹⁸

¹⁸ In a sense, such a result is a more serious concern in the Philippines, since the two largest groups surveyed—the Cebuano and Tagalog—did not have their preferences matched at statistically perceptible levels.

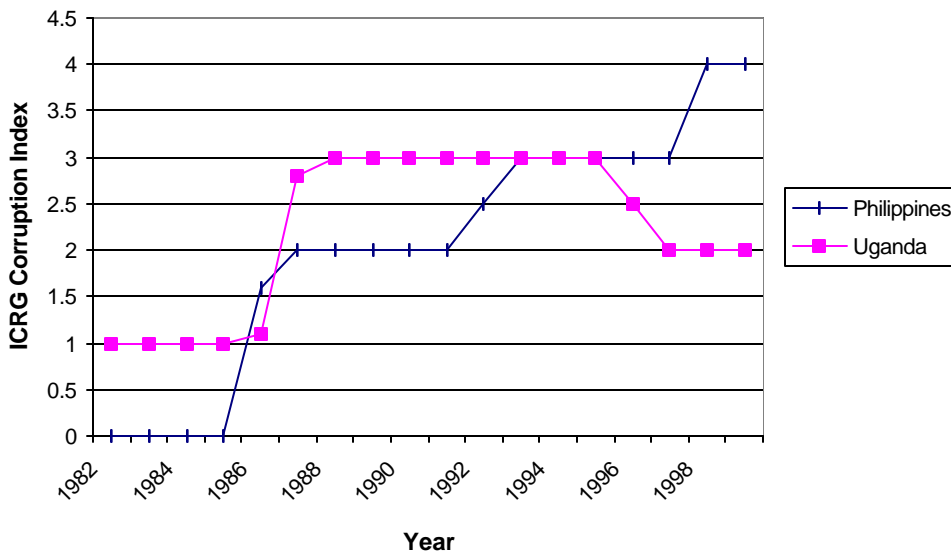
Productive Efficiency Issues: Corruption

As noted earlier, productive efficiency refers to a government's ability to produce outputs and results while managing costs and inputs. Of two major elements of inefficiency—corruption and waste—the focus of this study is on corruption, given its apparent pervasiveness in both the Philippines and Uganda.¹⁹

Overview of Corruption Trends

Corruption: Wide agreement exists in both the Philippines and Uganda that corruption is a serious endemic problem. In the *Philippines*, in fact, the view is now widely shared that the problem has gotten worse within the past few years—although international surveys suggest that it has fallen significantly in the past decade. Figure 4 reports International Country Risk Guide (ICRG) corruption measures for both the Philippines and Uganda, based on international business surveys on perception of corruption. The contradiction here may arise from difference in time horizon (i.e., the trend since the mid-1980s is probably more favorable than the trend since 1998) or in the types of corruption being studied.

Figure 4. Corruption in Uganda and the Philippines
Scale is 0 to 6, higher numbers mean less corruption



Source: International Country Risk Guide 2000

Estimates of losses from corruption in the Philippines range from PP 100 million per day up to a total of one trillion per year (Sun Star Daily 1999). Major corruption scandals have affected political campaigns, large-scale development projects, school textbook procurement, drug procurement, infrastructure works, and the Bureau of Internal Revenue (BIR). Systems of

¹⁹ Anecdotal evidence in both countries, particularly Uganda, suggests that waste is a serious problem and it may well be linked to corruption. Survey data confirm that public services in Uganda suffer from substantial wastage of resources. Insufficient and wasted supplies in the health care sector (e.g., vaccines and refrigerated storage facilities) are more serious and likely more dangerous to public welfare than supply problems in the education sector.

corruption are said to be well-defined, with all participants receiving fixed percentages. A 1999 survey by Social Weather Stations elicited a ranking of the five most corrupt agencies that included the usual suspects—departments of public works, police, tax, and customs—but also the national education ministry (DECS). In addition, corruption appears to be substantial in those offices that control points in the flow of public money, such as regional offices of central agencies (due to their role in project and financial management under decentralization) and the Department of Budget Management (which controls the release of funds for public programs).

Corruption appears to have moved from a centrally-coordinated system under the Marcos regime to a more decentralized system with few overall disciplines. Many of those with augmented resources and responsibilities in the current system, such as barangay captains, have little capacity or incentive to be held accountable. In the bureaucracy, pay scales at low to middle levels compare well to the private sector, and indeed this may have reduced routine low-level corruption driven by pay shortfalls. However, senior officials find that their salaries fall short of their living requirements, especially when one factors in the expectations (e.g., large investments in weddings) imposed by the traditional Philippine “compadre” system.

Another factor contributing to widespread corruption is the lack of factual independence and capacity by some of the main central oversight bodies. This is especially true in highly politicized sectors and with respect to local governments, which often prove difficult to monitor from the capital. For example, the Presidential Commission on Graft and Corruption (PCGC) exposes cases of abuse publicly, but it is not independent, has no prosecutorial authority, and deals only with Presidential appointees (Assistant Regional Director or higher). Another such body is the Ombudsman, which does have independence and prosecutorial authority. However, a recent Supreme Court decision limited its prosecutorial jurisdiction to higher-level officials, thereby giving it authority solely for prosecuting lower officials to the Department of Justice, a cabinet ministry that does not have political independence.

In *Uganda*, there are mixed reports on whether decentralization has lived up to expectations as a means of reducing corruption. On the one hand, some people claim that corruption has declined in the last ten years. There are several reasons why this might be true. The direct remittance of grant funds from the Ministry of Finance, Planning and Economic Development to District Chief Administrative Officers (CAOs), instituted under decentralization, is said to have reduced leakages (Lubanga 1998). In addition, the UPE’s financing and transparency arrangements have improved resource flows in the education system, according to some observers. Also, Uganda’s widespread popular political mobilization is likely to make it more challenging for officials at all levels to hide abuses. On the other hand, research suggests the continuation of significant diversion of funds and materials from their intended uses in local health facilities and schools, and international surveys suggest corruption may be intensifying (see Figure 4).

In the health sector, studies show some fairly daunting problems of failed oversight and abuse. One study estimated drug leakage from the system at between 40% and 94%, and user charge leakage at 35 to 77%. Ownership of private health facilities by staff members was associated with the highest incidence of drug leakage, as well as with reports of low availability of qualified staff, restricted opening hours, and low health unit utilization. The greatest source of health worker income was reported to be the resale of drugs, and 69% of those surveyed engaged in

informal fee-taking. Low pay in comparison with living costs, and constant payroll delays, account for some of this (Asimwe et al 1997).

In the education sector, the situation has substantially improved. While past surveys indicated that a relatively small portion of non-wage funding reached schools, this situation has dramatically improved in recent years. Budgeted funds reaching schools increased from 20 percent in 1995 to over 90 percent in 2000. This was a result, among other things, of the government using media and notice boards at schools. Other changes that appear to have improved the situation since 1997 are the move to school-based procurement of construction and other materials, and more intensive monitoring (Ablo and Reinikka 1998). However, significant governance challenges remain. Low teacher pay apparently creates part of the problem, diverting some effort into obtaining alternative sources of support. Teachers' coping mechanisms include farming, odd jobs, running a market stall, and "coaching" or tutoring pupils on the side.

Survey Data on Corruption

The surveys asked numerous questions, both direct and indirect, about the existence, extent, and nature of corruption in the Philippines and Uganda. These include questions about households' and officials' experiences and perceptions about corruption, the extent of such practices as informal payments for public services and bribery for public sector jobs, and the kinds of sanctions actually used against officials found to have engaged in corruption. The findings provide some support for the expectation that corruption continues to play a significant role in government performance generally, and public service provision specifically, in both countries. The responses to several such questions are summarized in Tables 7 and 8 and Figure 5. There is evidence of several forms of corruption in both countries including the theft of funds, seeking informal payments and the sale of jobs. Corruption is reportedly higher in Uganda than the Philippines, which corresponds with the rankings produced by international agencies like Transparency International.

Table 7. Percentage of Households Reporting Corruption in Government

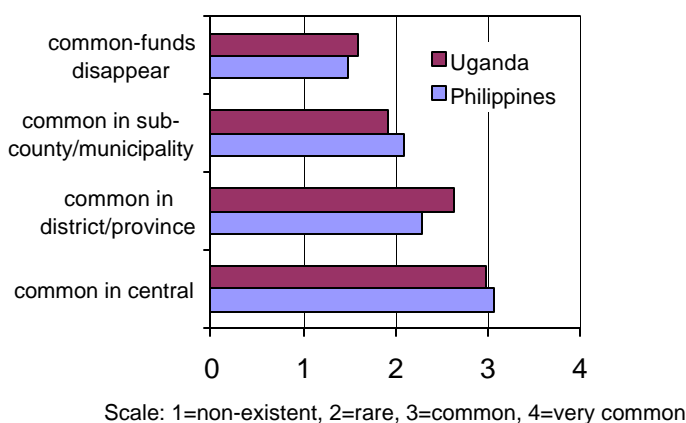
	Seen or heard reports about local officials involved in corruption	Seen or heard reports about central government officials involved in corruption	Corruption is common or very common
Uganda	48 (n=1121)	53 (n=1111)	71 (n=912)
Philippines	27 (n=1109)	49 (n=1113)	34 (n=1070)*

* Rather than the general question about how common is corruption, the Philippines Household questionnaire asked how common is corruption in municipal/city government.

Table 8. Percentage of Sub-County/Municipal Officials' Acknowledging Type of Corruption

	Uganda	Philippines	Uganda	Philippines
	Sub-county Health sector		Sub-county Education sector	
Bribery to secure employment	20	3	15	5
Disappearance of public funds in the Sub-county	70	10	61	8
Officials seeking informal payments	43	4	49	7
Corruption of some kind currently in the Sub-county	62	43	61	25

Figure 5. Prevalence of Corruption—Responses from Officials (means)



Obviously, one needs to exercise caution in interpreting responses to corruption questions. Those outside government usually have very limited information on the extent of public sector corruption, and may conclude from news reports, rumors, or isolated experiences that corruption is rampant. Within government, officials may tend to discount or underestimate corruption, especially if questions get “close to home,” while blaming other departments or levels of government for any acknowledged problems. In short, data on corruption are perhaps presumptively suspect, especially when questions are asked of public officials. The research team therefore performed a number of validity tests on our corruption data, looking for correlations across surveys and components of corruption. In the Philippines, the data clearly passed each of the tests: correlation among officials, among households, between officials and households, and among types of corruption. The Uganda data passed the first two tests, but not the rest. In short, the corruption data from Uganda do contain information but should be taken with some caveats, while the Philippine data merit a confidence level at least twice as high.

Even with the above cautions in mind, the differences in the findings as between the Philippines and Uganda are noteworthy: reports of official corruption from both households and officials are significantly higher on all counts in Uganda. The percentage of households in Uganda reporting that corruption commonly occurs is more than double that of the Philippines. Again, in most cases, the proportion of officials reporting any given corrupt practice in Uganda is a significant multiple of that in the Philippines. Some patterns are also consistent across countries. Greater percentages of households and officials reported corruption in the central government as compared to local government (but a much greater difference between the two in the Philippines, and significant variation across sectors). Local (municipality/sub-county) officials’ rankings of corruption modalities by their prevalence are also consistent across countries and sectors: disappearance of funds ranks first, followed by informal payments, then bribery to secure employment. Also noteworthy were the less stringent sanctions actually applied to officials found to have engaged in abuses in Uganda as compared to the Philippines, although this varies significantly across sectors and levels of government (see the discussion of accountability in Chapter VI).

Chapter V: Performance Factors—Civic Disciplines

The expectation that decentralization improves resource allocation and accountability relies heavily on two assumptions: (i) that sub-national governments have better information than the central government about the needs and preferences of the local population, and (ii) that the population is more aware of the activities of sub-national governments than those of the central government. One objective of the research on Uganda and the Philippines was to determine whether these assumptions hold in practice. This chapter analyzes the impact of “civic” disciplines, including access to voice mechanisms, political behavior, and citizen choices of competing service providers on decentralized government performance. A separate section examines citizen access to information, which underlies the effectiveness of civic disciplines.

Assessing Voice and Exit

In practice, sub-national governments do not automatically have better information than the central government about user preferences. Physical proximity to constituents, other things equal, makes the flow of information easier, especially in poor countries with relatively weak transportation and communications infrastructure. However, proximity does not guarantee that sub-national governments have the needed information unless they make an effort to *elicit* it. The converse also holds: the local population is not necessarily aware of the activities of sub-national governments nor do they necessarily know more about local than national government, hence they need to exert effort to inform themselves.

In the two countries studied, the research looked at the robustness of *voice* options, including voting and other forms of civic action conveying information about citizen preferences and concerns to policymakers and *exit* options, including the population’s ability to choose alternative service providers or move to jurisdictions offering the preferred governance and services package.²⁰

Voice

How meaningful are voice mechanisms in the Philippines and Uganda, as they concern the quality of services in the sectors studied? This section reviews the extent of political action related to public service delivery in the two countries, as well as the ways in which officials elicit citizen views and interpret expressions of voice. The discussion begins with a review of the political contexts, then moves on to a consideration of relevant survey data.

Political Systems: In the *Philippines*, politics has not favored strong accountability or local constraints on central power. The traditional system has been described as neo-patrimonial, combining the decentralized power of families and clans with a centralized bureaucracy that coordinates the implementation of policy. This system was perfected by Marcos and continued under Aquino (Hutchcroft 1990). Still, several social changes have facilitated effective democratization and decentralization. These include the decreasing power of the landlord class,

²⁰ The effects of these factors on governance and service delivery are taken up in Chapter VII.

urbanization, the growth of the middle class, the proliferation of civil society, and the country's democratic opening in 1986 (Brillantes 1998, Rood 1998). Moreover, the evidence of effective civic participation in local government is mixed but generally positive. Over 16,000 NGOs throughout the country have been accredited for membership in local special bodies. LGU partnership with the private sector is also thought to be increasing, along with inter-local cooperation (Brillantes 1998).

The main political formations—LAMP, NPC, Laban, Lakas, and NDF—do not command real party loyalty. Political alliances are unstable, with local elections focused on local elites and issues, and national elections prompting a scramble by politicians across parties to join the winning Presidential candidate's party. This system leads to a scattering of small patronage benefits such as barangay halls, government jobs, and tax exemptions. This centrally-administered spoils system has traditionally undercut local planning, and has made it difficult to implement decentralization fully. The national electoral system mainly yields Congress members elected from geographic constituencies in first-past-the-post contests, along with a small number elected from party lists. The President, Senators and local council (*sanggunian*) representatives are elected at large. One result of this system generally is that minorities have little voice (other than as local majorities), especially in national politics (Rood 1998, EIU 1999).

In *Uganda*, one must take into account the features of its political system when assessing civic action and its effects on governance. While political mobilization is high in Uganda by most accounts and democratic practice has improved immeasurably since the changes in the 1980s, the "no-party" system poses problems of definition. Moreover, the information needed to assess the extent of democratic politics is not always available. The no-party system is best known for its effects at the national level, including the domination of the political scene by the President and the National Resistance Movement, but it is also critically important in shaping local politics. Despite this political monopoly, and the restrictions placed on parties, elections are contested by non-Movement candidates. This can be stated more confidently with respect to national than local elections: because, first, media and party activities appear most intensive in the national arena and in Kampala, and second, since the early days of the Resistance Councils (the predecessors of the current local councils), local government has become more integrated into the public sector and Movement hierarchies. As a result, recent observations suggest that the state and the local councils have greater authority in the provinces than in the capital and other large cities, and observers cite evidence that both the local councils and the Resident District Commissioners do much of the Movement's work in the interior, providing platforms for candidates, spreading the Movement ideology, administering political training and other functions (Human Rights Watch 1999).

Thus, it appears that political competition is probably more limited in rural areas than major urban centers, that heavy-handed tactics are less likely to be opposed or publicized, and that political information is more controlled and less available in those areas. Also, the committee structures set up under the Local Government Act (LGA) appear to have created at least as many governance problems as they have resolved. School Management Committees are thought to divert funds in urban districts and to divert materials in rural districts to alternative uses, including personal benefit (Uganda Debt Network 1999). Similarly, Health Unit Management Committees are thought to be major culprits in the drug leakage problem. In a recent study,

surveyed communities did not know the appointment methods used in filling these committees (Asiimwe et al 1997).

Survey Data on Voice: The surveys investigated the sources of direct political discipline on local and national governments through elections. Specifically, respondents were asked questions about voting and civic action in order to determine: (i) whether people vote more in local or national elections, (ii) whether their votes are based on different reasons in local as compared to national elections, (iii) what determines access to local committees dealing with public health and education services, and (iv) the extent and outcomes of direct political action.

Reported election turnouts are comparable, and very high, in the two countries for both local and national elections. In the Philippines, 80 and 86 percent voted in local and national elections respectively, and 80 and 83 percent in Uganda. In both countries, policies and governance qualities of candidates were the predominant criteria for selecting a candidate (Table 9). In the Philippines, character issues assumed the highest importance in both local and national elections (35% in local and 25% in national elections). Other important factors were past performance and the candidates' agendas at the local level, and the agenda, past performance, and qualifications at the national level. Favoring pro-poor initiatives is also an important reason for voting in national elections, which is intuitive as redistributive policies are likely to be more effective at the national level. Some reasons for voting, such as past performance, are more prevalent at the local level. In Uganda, the responses were less differentiated by the level of government. The vast majority of respondents (74%) cited the candidate's agenda as a reason for their choice in both local and national elections. Almost all (91%) reported the agenda, prior experience or political affiliation as a reason for voting choices.

Religion, ethnicity, and being paid by a candidate were not frequently reported as reasons for voting in either country. These kinds of reasons were slightly more pervasive at the local level in the Philippines (4% in municipal elections and 3% in national elections). Voting for acquaintances was also more prevalent in local elections. In Uganda, very few respondents across the board cited reasons such as being paid by a candidate (2%), religion (0.7%), race (1.8%) or language (1.6%). The overall percentage of respondents giving at least one of these reasons was 4.6%, and this did not vary significantly by the type of elections.

The survey also inquired about the extent of civic action among people, by asking them:

In the past year, have people in your village/town met to request that officials address a specific issue (for example, improvement of health provision, local roads, water delivery, etc.)?

Most people (59% in the Philippines and 56% in Uganda) cited such civic action in their community and a significant proportion of these actions (33% in the Philippines, 63% in Uganda) reportedly were successful in achieving their objectives.

Table 9. Percentage of People Voting for Each Reason^{1,2,3}

	National elections		Local elections		t-statistics ⁴	
	Uganda N=944	Philippines N=858	Uganda N=896	Philippines N=811	Uganda	Philippines
Candidate's Agenda	74.05 (0.014)	9.63 (0.010)	73.88 (0.015)	8.6 (0.010)	-0.25	-0.66
Candidate's Political affiliation	9.75 (0.010)	0.32 (0.002)	9.93 (0.010)	0.32 (0.002)	0.05	0.06
Candidate's Prior experience/Past performance	31.04 (0.015)	9.63 (0.011)	33.82 (0.016)	15.32 (0.013)	1.17	3.95
Paid by candidate	2.33 (0.005)	0.11 (0.001)	1.67 (0.004)	0.31 (0.002)	-1.38	1.00
Candidate's Religion	0.64 (0.002)	0.38 (0.002)	0.78 (0.003)	0.66 (0.003)	0.99	0.81
Candidate's Ethnicity	1.91 (0.004)	2.82 (0.006)	1.67 (0.004)	3.14 (0.007)	-0.38	0.34
Candidate's Gender	0.11 (0.001)		0.45 (0.002)		1.40	
Candidate's Native Language	1.91 (0.004)		1.34 (0.004)		-0.79	
Candidate's Qualification/education		9.01 (0.010)		7.79 (0.009)		-0.88
Candidate's Character		25.16 (0.015)		34.87 (0.017)		4.34
Candidate's New/desire for change		2.24 (0.002)		1.43 (0.004)		-1.33
Pro-poor position of candidate		15.22 (0.012)		4.11 (0.007)		-7.81
Influenced by officials/local leaders		1.92 (0.004)		0.90 (0.003)		-1.52
Influenced by spouse/family/friends		4.58 (0.007)		3.73 (0.007)		-0.87
Influenced by media		0.30 (0.002)		0		-1.73
Acquaintance		0.25 (0.002)		2.14 (0.001)		3.22
Popular		2.25 (0.005)		1.67 (0.004)		-1.07
Townmate		1.02 (0.003)		0.73 (0.003)		-0.67
Other	22.56 (0.013)	15.73 (0.021)	22.66 (0.014)	15.04 (0.017)	0.25	-0.34

¹ Household respondents were asked to list their reasons for voting; some listed more than one reason.

² N is the number of people who follow voted in the last election.

³ Standard error in parentheses

⁴ Means, standard errors, and t-statistics shown are calculated treating those who did not vote in an election as a missing value. There are no significant differences in the results if such people are treated as nonusers of the information source.

⁴ T-statistic of test of hypothesis that the percentage of people voting for a certain reason is different for local elections and parliamentary elections.

The surveys also asked questions about citizen access to local decision-making forums, notably health and education committees. In the Philippines, income and education were not robustly significant determinants of committee membership. In Uganda, by contrast, education was strongly associated with membership in both Village Health Committees and School

Management Committees, and income was also significant in the latter case. These associations proved robust in several tests, such as the inclusion of district and sub-county dummies. Ethno-linguistic identity was also tested as a possible determinant of committee membership, but it was not significant.²¹

In summary, in Uganda, there appear to be no significant differences between factors affecting voting in local and national elections. In the Philippines, such factors as character and acquaintance with the candidate are more important in local elections, while income-redistributive issues are more important in national elections. In addition, other results presented in the country papers suggest that public officials, unlike households, think public goods delivery does affect votes in local and national elections (more so in the Philippines than in Uganda). In addition, reported levels of direct civic action to address problems are quite high in both countries, while participation in and knowledge of local sectoral committees appears to be much narrower. On their own, these findings do not offer clear support for the fiscal federalist view of local politics.

Exit/Mobility

Following Tiebout's classic (1956) analysis, mobility is often cited as a reason why decentralization might improve productive and allocative efficiency. For purposes of this research, there are two exit possibilities: (i) opting out of the government system in favor of an alternative service provider, and (ii) accessing services in another jurisdiction, which is likely to involve a household move. In developing countries such as the Philippines and Uganda, where social and resource constraints discourage most household moves, one would not expect option (ii) to be chosen with great frequency.

To assess whether exit might be an important source of improvements in productive and allocative efficiency, the surveyors asked households, first, whether they used public or non-governmental schools and health facilities (i.e., where each enrolled child went to school, and which type of facility people went to when they had health problems), and why. The results appear in Tables 10-12.²² Households report using governmental facilities at higher rates in the Philippines than in Uganda, though this difference is less significant in the education sector. Also, there are major provincial/district variations in the use of this exit option, as illustrated by Tables 11 and 12. Given the higher satisfaction levels reported in the Philippines, this result does not necessarily imply that exit is constrained in the Philippines. It more likely indicates that

Table 10. Type of Primary School used by Surveyed

	# households with children	# children (responses per household)	Government	Non-government
Uganda	1030	2883	90%	10%
Philippines	753	1476	96%	4%

²¹ See the respective country papers for more detail on the analysis.

²² A bias was introduced with the sampling of facilities. In order for the researchers to be able to compare government and non-government facilities in this study, villages were selected where there was at least one private facility. Households were selected based on their close proximity to surveyed facilities, therefore household responses to such government/non-government facilities' issues are biased. The sampled households would therefore be more likely than the countries' population to have access to a non-government school or health unit.

public health services in the Philippines are of higher quality than in Uganda. This interpretation of the result is supported by the fact that non-governmental health services are at least as available in the Philippines as in Uganda. In addition, the data also reveal differences in quality and satisfaction with respect to public and non-governmental service providers. In Uganda, non-governmental facilities were reported to be significantly better in terms of schools' pupil-teacher ratios, and the quality and capacity of health facilities. In the Philippines, pupil/teacher ratios were worse in public schools.²³

Table 11. Uganda: Household Use of Health Facilities (percentage of households)¹

District	government health unit	private health unit	religious/NGO-run unit
Masaka (n=105)	32	51	16
Luwero (n=103)	62	35	3
Rakai (n=135)	80	19	1
Lira (n=165)	73	19	7
Apac (n=120)	60	33	7
Kumi (n=74)	85	15	0
Pallisa (n=120)	90	10	0
Tororo (n=60)	83	8	8
Bushenyi (n=164)	52	36	12
Ntungamo (n=75)	68	29	3
Total (n=1121)	67	26	6

¹ Responses to the question: "If you or a member of your family is sick and requires treatment, where do you usually go?"

Table 12. Philippines: Household Use of Health Facilities (percentage of households)¹

Province	government health unit	private health unit	religious/NGO-run unit
Isabela (n=98)	79	19	1
Nueva Viscaya (n=42)	67	31	0
Bulacan (n=70)	57	33	1
Pampanga (n=62)	60	34	0
Zambales (n=28)	61	32	0
Batangas (n=42)	71	29	0
Cavite (n=56)	57	27	0
Laguna (n=50)	52	22	0
Negros Occidental (n=70)	84	14	1
Bohol (n=42)	69	17	0
Cebu (n=84)	74	21	0
Samar (n=42)	86	14	0
Zamboanga del Sur (n=112)	88	7	1
Bukidnon (n=56)	89	7	0
Tawi-Tawi (n=28)	89	11	0
Agusan del Norte (n=42)	76	12	5
Surigao del Norte (n=42)	86	12	0
Surigao del Sur (n=42)	76	21	0
Misamis Oriental (n=42)	95	5	0
NCR (n=70)	63	20	1
Total (n=1120)	74	19	1

¹ Responses to the question: "If you or a member of your family is sick and requires treatment, where do you usually go?"

²³ The quality and capacity of private health facilities were not surveyed.

Both countries reported significant rates of mobility (i.e., percentages of households intending to move), though the reported rates were higher in the Philippines (7%) than in Uganda (3.6%). The main reasons cited for mobility were employment, cost of living, and family location. Very few respondents (about 0.2% in each country) cited health or education services as the reason for an actual or proposed household move. The higher rate of mobility in the Philippines suggests that the threat of migration has greater potential to serve as a discipline on local government in the Philippines than in Uganda.

In summary, the high reported turnouts in local and national elections in both countries are encouraging as a signal of democratic aspirations, but the reasons for voting at each level do not appear to be different. Finally, mobility across jurisdictions is rarely driven by public health or education delivery, suggesting that this presumptively important reason for better service delivery by local governments is not important in the two countries studied.

Citizen Information Sources

Meaningful participation of households in public service delivery, though itself increasing information flows, requires informed citizens. Unless the public knows what goods and services are provided by the government, how well they are provided, who the beneficiaries are, and how much they cost, it cannot demand effective government. Access to information about actions and performance of government is thus critical for the promotion of government accountability.

The media (both print and broadcast) therefore play an important role as the source of information about government actions and performance in most countries. They can serve the public by monitoring and investigating the actions of public agents. The presumption is that the risk of exposure and humiliation through media is likely to curb politicians and civil servants' temptation to abuse their positions for private gain. Obviously, how effectively the media does this job depends on the degree to which they are free, independent and contested.²⁴

The surveys posed a series of questions to households and public officials in order to explore whether households follow national and local politics, to identify households' key sources of information on these issues, and to assess to what extent government actions and performance are covered by the media. Households were asked about their main source of information about national and local politics and about corruption. Officials surveyed in health units, primary schools, municipal/sub-county and provincial/district governments were in turn asked whether any activities of those units had been covered in the media (newspapers, radio or television) in the last year. The results are summarized in Tables 13 and 14, and Figures 6 and 7.

²⁴ Monopoly control by the government as well as a dominant position by a media outlet are likely to diminish the interest of editors to investigate local politicians, government officials, and businessmen.

Table 13. Sources of Information about Politics in Uganda and PhilippinesPercentage of people using each source^{1,2,3}

	National politics		Local politics		t-statistic ⁴	
	Uganda N=1052	Philippines N=657	Uganda N=1067	Philippines N=579	Uganda	Philippines
Local newspaper	1.14 (0.015)		0.47 (0.002)		-1.53	
National newspaper	1.90 (0.003)		0.28 (0.002)		-3.61	
Newspaper		3.69 (0.007)		2.95 (0.071)		-0.67
Local radio	25.76 (0.004)		15.37 (0.011)		-5.97	
National radio	39.73 (0.013)		4.69 (0.006)		-21.42	
Radio		30.65 (0.018)		33.22 (0.020)		0.91
Television	0.57 (0.015)	63.52 (0.019)	0.09 (0.001)	22.13 (0.017)	-1.91	-16.12
People/Neighbors/ Friends/Family	3.52 (0.002)	0.93 (0.004)	8.43 (0.009)	19.52 (0.017)	4.79	10.91
Community leaders	27.66 (0.006)		70.48 (0.014)		21.68	
Officials		0.83 (0.003)		18.07 (0.016)		10.50
Civic Associations		0.25 (0.002)		1.36 (0.005)		2.04
Inside Information		0.20 (0.002)		1.80 (0.006)		2.80
Other	0.10 (0.014)	0 (0)	0.66 (0.002)	10.51 (0.004)	2.11	2.46
Total Media	64.5 (0.014)	97.90 (0.010)	19.8 (0.011)	58.34 (0.020)	-24.11	-16.94
No Source		41.62 (0.015)		49.10 (0.015)		3.57

¹ N is the number of people who follow the news (table 13) or who heard reports of corruption (table 14).² Standard error in parentheses³ Means, standard errors, and t-statistics shown are calculated treating those who do not follow politics (or did not hear reports of corruption) as a missing value. There are no significant differences in the results if such people are treated as nonusers of the information source.

Table 14. Sources of Information about Corruption in Uganda and PhilippinesPercentage of people using each source^{1,2,3}

	National corruption		Local corruption		t-statistic ⁴	
	Uganda N=542	Philippines N=587	Uganda N=586	Philippines N=321	Uganda	Philippines
Witnessed self	3.58 (0.008)		12.18 (0.013)		5.43	
Local paper	9.90 (0.012)		7.01 (0.011)		-1.74	
National paper	13.65 (0.014)		4.61 (0.009)		-5.28	
Newspaper		3.52 (0.001)		4.67 (0.012)		0.83
Radio	75.60 (0.008)	22.57 (0.018)	29.52 (0.004)	35.32 (0.028)	-3.12	3.80
Television	3.75 (0.018)	70.32 (0.020)	0.74 (0.020)	27.51 (0.026)	-16.94	-13.13
People/Neighbors/ Friends/Family	26.79 (0.018)	0.32 (0.007)	57.75 (0.021)	25.44 (0.025)	11.30	8.50
Community leaders	9.56 (0.012)		28.60 (0.019)		8.46	
Officials		0.19 (0.002)		2.65 (0.009)		2.62
Civic Associations		0		0.69 (0.005)		1.42
Other	0.68 (0.003)	0.40 (0.003)	2.03 (0.006)	3.72 (0.001)	2.10	2.96

¹ N is the number of people who follow the news (table 13) or who heard reports of corruption (table 14).² Standard error in parentheses³ Means, standard errors, and t-statistics shown are calculated treating those who do not follow politics (or did not hear reports of corruption) as a missing value. There are no significant differences in the results if such people are treated as nonusers of the information source.⁴ T-statistic of test of hypothesis that the percentage of people using a source of information is different for local issues and national issues.

In both countries, household responses show that people use the media as the main source of information on national politics more often than they use the media for local news. In the Philippines, the primary source for news of national politics is television, used by 64% of respondents. By contrast, television is used as the primary source for local news by only 22% of respondents. Radio is used as a source of both local and national news by approximately one-third of respondents, and newspapers by 3-4%. For local news, households are far more likely to use friends and family (20% for local, 1% for national). In the Philippines, radio (23%) and television (70%) accounted for nearly all information on national corruption according to the respondents. For information on local corruption, radio becomes more important (35%), followed by television (28%) and word of mouth (25%), which were nearly equal in importance.

Figure 6. Uganda: Source of Information on Local Politics

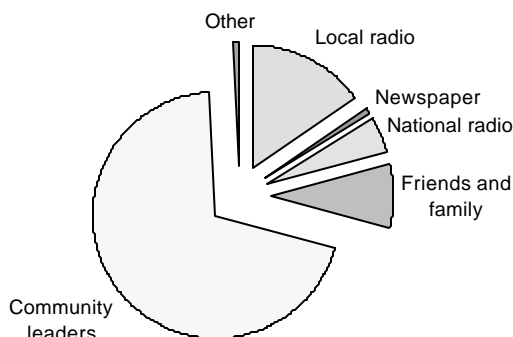
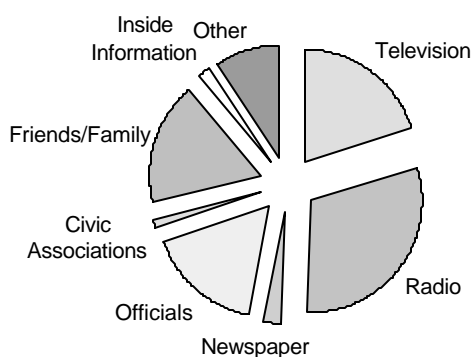


Figure 7. Philippines: Source of Information on Local Politics



In Uganda, 64% of households rely on the media for national news, as compared to 20% for local news. These contrasting patterns are clear for *all* types of media—local newspapers, national newspapers, local radio, national radio and television—and are statistically significant in each case. By far the most important source of information on national politics is the radio, with 65% of Ugandans citing national (40%) or local (25%) radio as their main source of information on national politics. By contrast, radio is the main source of news on local politics for only 20% of Ugandans. Radio plays a comparably important role as a source of information on corruption, with nearly 30% of households citing it as their source on local corruption and 76% for national corruption. Friends and family (in short, “word of mouth”) provided the information on local corruption for 58% and national corruption for 27% of households, and 12% of households reported witnessing local corruption firsthand.

Unsurprising, but somewhat worrying is the apparent extent, in each country, of reliance on community leaders (Uganda) and local officials (Philippines), as a source of news on local government.²⁵ An absolute majority (70%) of Ugandans use community leaders as their main source of information on local politics, while only 28% use community leaders as their main source of information on national politics.²⁶ Community leaders were also an important source

²⁵ Because of differences in survey design, Philippine households were given “local authorities” as a choice, and Ugandan households were given “community leaders,” a term that might include both government officials and traditional community leaders or elders.

²⁶ 70% of those who follow local politics report using community leaders as their primary source, which corresponds to 67% of the entire sample, similarly 27% use community leaders as their main source for national politics.

of information on corruption (29% for local, 10% for national corruption). The use of community leaders as the main source of information for local politics indicates the possibility of what Bardhan and Mookherjee have termed “elite capture.”²⁷ This could significantly undermine the effectiveness of local politics as a disciplining device for local government despite the high turnouts in elections. In the Philippines, reliance on local authorities for information is reported to be much less important but still significant. Some 18% of households report them as sources for local news as against 1% for national, while 3% relied on local officials for information on local corruption (and essentially none for information on national corruption).

The results in each country show large discrepancies in households’ knowledge about local and national governments. The surveys asked respondents in the Philippines the names of the vice-president of the country, and the mayor and vice mayor of their municipality, and in Uganda the names of the president and the sub-county chairperson. In the Philippines, 41 percent of the people named the vice-president correctly, whereas only 1 percent of the people succeeded in naming their mayor or vice-mayor.²⁸ In Uganda, 99% of the people named the president correctly and 78% the sub-county Chairperson.

The source of news influences households’ opinions about politics. The researchers looked at the correlation between information source and the perception of corruption. The use of media (particularly television and newspapers) as an information source has a significant and positive impact on corruption perception at the local level. Reliance on local leaders made it somewhat less likely for people to have heard reports about corruption, although this finding is more significant for Uganda (an 11% difference) than for the Philippines. For national news, the findings from Uganda are the most significant, with people relying on local leaders 18% more likely to have heard of corruption at the national level. In the Philippines, 98% of respondents used some form of media as their source of national news, and all three sources of media—television, radio and newspapers—have statistically indistinguishable effects on knowledge of corruption.

In Uganda, predictably, richer and more educated people tend to use media as their source of news, but ethno-linguistic factors had no particular bearing. In the Philippines, by contrast, there were significant differences across ethnic groups, with a number of ethnicities having perceptible effects on voting, media use, and political action (Tables 15-16). Please note that in Tables 15 and 16, reasons for voting that are non-policy-related, immaterial, or communal are referred to as “bad,” while those that are issue- and policy-oriented are “good.” These designations are intended merely as a convenient shorthand, not as value-judgments.

²⁷ Bardhan and Mookherjee (1998) use this term in the context of an analysis of whether decentralization leads to more or less corruption in public service delivery. “Elite capture” is shorthand for state capture, for private purposes, by the local elite.

²⁸ The reasons for comparing knowledge of the *vice*-president with knowledge of the mayor are also tell-tale. Initially, the team wanted to ask about the president and the mayor, but the team was told that since everyone knew the president they would give sarcastic answers to the question.

Table 15. Uganda: Political Awareness Across Households of Different Ethnicities¹

Independent Variable:	Media as source of information	Media index	Vote in last local election?	Vote for “good” reason?²	Political action indicator
Baganda	0.087 (0.305)	0.034 (0.550)	-0.081 (0.184)	-0.037 (0.279)	0.051 (0.225)
Bakiga	-0.033 (0.313)	0.236 (0.626)	-0.193 (0.207)	-0.082 (0.280)	0.155 (0.254)
Banyankole	-0.066 (0.305)	0.432 (0.590)	-0.225 (0.197)	0.023 (0.274)	0.090 (0.241)
Bahima	0.050 (0.346)	-1.013 (0.966)	-0.611 (0.324)	-0.071 (0.306)	0.180 (0.397)
Basoga	-0.607 (0.338)	-0.552 (0.723)	0.041 (0.243)	-0.110 (0.306)	0.271 (0.300)
Iteso	0.038 (0.309)	-0.652 (0.505)	-0.156 (0.169)	0.077 (0.289)	0.030 (0.206)
Langi	0.045 (0.334)	-0.028 (0.642)	0.256 (0.215)	-0.031 (0.304)	-0.218 (0.265)
Bagwere	-0.303 (0.308)	-0.357 (0.520)	0.215 (0.173)	0.031 (0.296)	0.170 (0.213)
Other Ethnicity	0.092 (0.305)	-0.028 (0.523)	0.217 (0.175)	0.043 (0.283)	0.009 (0.215)
log(income)	0.035* 2.331	0.202** (4.721)	0.027 (1.851)	0.026* (2.372)	0.005 (0.282)
mother's education	0.009 (0.864)	0.212** (6.536)	0.012 (1.093)	0.007 (0.863)	0.016 (1.206)
father's education	-0.013 (-1.601)	0.093** (3.898)	0.011 (1.329)	0.001 (0.092)	0.019 (1.945)
rural dummy	0.065 (0.760)	-0.289 (-1.191)	-0.026 (-0.323)	-0.147* (-2.544)	-0.091 (-0.892)
F-test of significance of the model	1.020	15.090**	1.900*	1.940*	1.860**
F-test on joint significance of the ethnic dummies	1.440*	1.326	1.144	0.873	0.633
N	907	897	899	734	886
R ²	0.168	0.364	0.140	0.247	0.189

Coefficients for regression for each independent variable; standard errors in parentheses.

¹ Ethnic groups which represent at least 1% of the population are shown.

² See explanation in the above section on “Voice”.

* Significant at the 5% level.

** Significant at the 1% level.

Table 16. Philippines: Political Awareness Across Households of Different Ethnicities¹

Independent Variable:	Media as source of information	Media index	Vote	Vote for “good” reason²	Political action
Bicolano (n=44)	0.025 (0.333)	0.178*** (3.045)	-0.890 (-1.083)	-0.052 (-0.483)	-0.307*** (-2.835)
Cebuano (n=260)	0.107** (2.361)	0.102 (1.308)	0.311 (0.950)	0.022 (0.242)	-0.051 (-1.051)
Ilocano (n=105)	0.074* (1.883)	-0.064 (-1.156)	-0.030 (-1.114)	0.078 (0.760)	-0.147 (-1.081)
Ilonggo (n=83)	0.106* (1.885)	-0.283* (-1.830)	-0.718 (-1.505)	0.120 (1.580)	-0.217*** (-3.796)
Kapampangan (n=44)	0.142*** (3.339)	0.117* (1.765)	0.070** (2.030)	0.205*** (2.667)	-0.111** (-2.061)
Visaya (Unspecified) (n=95)	0.190** (2.235)	0.131** (2.030)	-0.101* (-1.839)	0.093 (1.226)	0.039 (0.368)
Waray (n=43)	-0.047 (-1.390)	0.068 (1.039)	0.058* (1.816)	0.062 (0.778)	0.291*** (6.875)
Hiligaynon (n=49)	0.185*** (4.212)	0.117* (1.749)	-0.040 (-0.859)	0.241** (2.415)	0.117 (2.565)
Surigaonon (n=49)	0.128*** (3.332)	0.173** (2.312)	-0.092** (-2.16)	0.170** (2.263)	0.142*** (3.091)
Tagalog (n=224)	0.045 (0.945)	0.152*** (2.999)	-0.007 (-0.17)	0.029 (0.400)	-0.146 (-1.441)
Log income	0.054*** (3.729)	0.059*** (6.071)	-0.008 (-0.595)	0.041 (1.693)	0.081 (0.585)
Education	0.003*** (5.024)	0.002** (2.696)	0.002*** (2.944)	0.002** (2.187)	0.001 (1.504)
Urban	-0.049 (-1.603)	0.085*** (3.271)	-0.003 (-1.054)	-0.018 (0.431)	-0.080* (-1.954)
Constant (n=124)	-0.094 (-1.142)	-0.017 (-0.133)	0.826*** (9.046)	0.010 (0.068)	0.586*** (7.557)
N	1091	1091	1091	1091	77
F test on significance of the model	42.61***	79.77***	9.92***	16.62***	85.52***
F test on joint significance of the ethnic dummies	24.78 ***	93.21 ***	23.33 ***	29.89 ***	18.67**
R2	0.06	0.33	0.03	0.03	0.08

Coefficients for regression for each independent variable; t-statistics in parentheses.

¹ Ethnic groups which represent at least 1% of the population are shown.

² See explanation in the above section on “Voice”.

For media coverage and voting to be truly effective disciplines on local governments, public officials have to be aware of media coverage of service delivery and the effect of service delivery on voting. The surveys asked public officials questions on these points. In both countries, higher-level LGU officials (provincial/district) consistently expected more media coverage of their services than did lower officials, but expectations about the impact of service quality on voting did not follow the same pattern. In the Philippines, municipal officials believe that municipal services are covered more often by national than local media (45% vs. 38%), while provincial officials stated that both local and national media cover service delivery (57% and 62%, respectively). In Uganda, the difference is even more stark, with 87% of district officials reporting media coverage (at all levels), versus 38% of sub-county officials.

Many local officials appear to believe that service delivery would affect outcomes in both local and national elections, and that the relevant services are covered by both local and national media. In the Philippines, a majority of municipal officials said that service delivery affected outcomes of both local elections (65%) and national elections (54%), and this opinion was shared by the vast majority of provincial officials (100% and 83% for local and national elections, respectively). In Uganda, the comparable figures are 56% (local) and 53% (national) for sub-county officials, and 45% (local) and 32% (national) for district officials.

To conclude, the media are the primary source of information for *national* politics in both countries. In Uganda, community leaders are as the primary source for *local* politics. Local officials in the Philippines were less important as a source of information on local politics than were the media, but Filipino households also relied substantially on friends and family for such information. The same patterns are noted for information about corruption. Furthermore, those who rely on community leaders/officials for news are less aware of corruption than those who rely on media as a source. Oddly, Filipinos are less likely to use media in urban than in rural areas as an information source. Lastly, education is correlated with corruption awareness in Philippines and Uganda (but in the latter, mainly for national corruption). The results on civic disciplines affecting local governments are summarized in Table 17.

Table 17. Summary Table: Fiscal Federalist Arguments for Decentralization

	Uganda	Philippines
Are there differences in preferences for additional immunization?	No	Unclear ²⁹
Are there differences in preferences for education?	Yes	Yes
Do local public officials know these differences?	Yes	Yes
Is local politics covered better in the media?	No	No
Do people have a better knowledge of local politics?	No	No
Do they vote more in local elections?	No	No
Do they vote for “good” reasons in local elections ³⁰	No (similar reasons)	No (different reasons)
Do they move if the quality of health or education delivery is poor?	No	No
Is there potential for local elite capture, as evidenced by the reliance on community leaders/officials for local news?	Yes	Yes

²⁹ The data are not adequate to give a definitive answer.

³⁰ As explained earlier, “good” is a shorthand used here to designate reasons that are issue- and policy-oriented.

There is thus little evidence in either country to support any of the presumptive reasons given by the theory of fiscal federalism for better service delivery by local governments. Voting rates are generally high but no higher for local elections and the reasons for voting in local elections do not differ from voting reasons in national elections. There is less media coverage for local politics and citizens appear to be less knowledgeable about local politics.³¹ There is a high degree of reliance of community leaders and officials for local news, especially in Uganda.

³¹ The study did not cover the ownership structure of the media, which could be expected to influence the quality of information available on government performance. It is clear, however, that media competition (the availability of alternative information sources) is much greater with respect to national politics and events in both capitals than regarding local matters in the regions.

Chapter VI: Performance Factors—Public Sector Institutional Disciplines

In this chapter, the analysis moves to the institutional arrangements within government, that is, the vertical disciplines between jurisdictional levels and the managerial capacities within administrative units. In both instances, uniform structural elements and general experiences are discussed first, then empirical survey data on variations in practice are examined.

Intergovernmental Disciplines

Devolution within the nation state is never absolute, but always limited by an array of retained central powers, constitutional checks, and oversight mechanisms. Decentralization accompanied by central disciplines, although designed or intended to strengthen governance, can also pose dangers to it. There is, first, the danger that fiscal and regulatory decentralization opens up the possibility of decentralized corruption, and second, the possibility that central control points encourage intergovernmental bribery and other abuses.

Both the Philippines and Uganda have decentralized within a unitary structure, which means that local administration and policymaking, as well as the political and legal initiatives of local populations to pressure their governments, operate within institutional structures and disciplines defined by the center. In both cases, the decentralization laws empower the center to review LGU actions, to advise, and to sanction, including the suspension or dissolution of provincial and district governments. This section provides an overview of salient experiences with these vertical structures in the Philippines and Uganda, then presents data on the extent to which central disciplines restrain LGU discretion in practice.

Experiences with Hierarchical Constraints

Decentralization in the *Philippines* has kept in force several important constraints on local government expenditure discretion—and LGUs are working creatively to circumvent them. First, there are procedural constraints on budgeting. Under the LGC, local government budgets require formal approval by the local council and review by the supervening level of government. While increasing local taxing authority, the LGC also constrains local revenue-raising through rules on rates, assessments, appeals, and revenue administration responsibilities (GOLD 1996-02). The Code's limitations on LGU taxing powers also concern the scope and types of permitted taxes, as well as rates. Second, much local funding is tied in some way. Executive Orders implementing decentralization have created numerous partially funded and unfunded mandates. Overall, an estimated 80% of local revenue is tied to specific centrally-determined budget categories. In addition, the LGC requires local governments to set aside 20% of their IRA shares for a Development Fund to support local projects. The Department of Interior and Local Government (DILG) no longer has formal authority to approve or veto these projects, but it does issue policy guidelines on what priorities development funds should be used to achieve (GOLD 1998-03).

All public funds are subject to audit down to the lowest level, according to accountability rules outlined in Article XI of the 1987 constitution. However, audit procedures are widely

perceived—especially by those involved in local government—as being too rigid and outdated. The intrusiveness of this audit system, implemented by the COA, seems to contradict the formal legal autonomy of local government by placing a central agency in control of local spending (GOLD 1998-03). LGUs also have internal auditors, in addition to providing the local councils with monthly financial reports. It is unlikely that local councils exercise effective oversight of budgets and expenditures by their governments and subordinate LGUs, since few council members appear to understand the budgetary and expenditure figures they are provided.

Overall, since decentralization began to take hold, the allocation of resources appears to have become more responsive to local needs (e.g., less funding for government personnel, more for education, but a perceived decline in health services). Of course, the “local needs” that discretionary funds often serve are those of the governors and mayors—for inexpensive projects that win them easy credit and political advertising opportunities (e.g., waiting sheds for bus passengers). This suggests a continuing participation gap. A survey of a few provinces found that no more than one-third of LGUs are implementing investment plans developed with meaningful citizen participation (GOLD 1996-03). Few Local Development Councils are active, and there is little prior consultation with national agencies on their plans and budgets. The objective of increasing local participation through decentralization runs up against the old patron-client culture. Barangays are a source of votes and so get their way with mayors; for example, gaining protection for local extortion rackets that extract rents from squatters. This is also worrying because barangays now have substantially more IRA funds than previously, but only relatively minor duties and essentially no requirement to develop plans—hence little accountability.

In *Uganda*, intergovernmental discipline has two primary formal channels: the Resident District Commissioners (RDCs) and the national oversight agencies. These formal sources of hierarchical pressure are accompanied by informal influences within the Movement structure. RDCs exercise formal duties of monitoring, coordination, and advice with respect to LGUs. This could take on the aspect of directing and overruling LGU decisions in those areas of Uganda with the lowest levels of political mobilization and media exposure. This has led some to question whether the RDC, the district Chair, or the Executive Committee is really “in charge” at district level. Whoever wins this contest has a considerable say at the sub-county level, despite the latter’s formal autonomy. The Local Governments Act spells out dispute-resolution processes to be used in cases of conflict of authority, but these apparently have been little used (Kiyaga-Nsubuga 2000).

Most procedural changes brought about by decentralization are aimed at disciplining the local rather than the central government. The key oversight agencies—the Inspector General of Government (IGG), the Auditor General, the Public Service Commission, and the Attorney General—have direct jurisdiction over the districts and attempt to control corruption. Each agency has a regional presence and can accept complaints in the first instance. Some are also receiving “monitoring” funds from the Poverty Action Fund. Still, accounts of corruption affecting local health and education services are numerous. There is little doubt that many more such abuses go unreported.

Another source of discipline for local governments is the budget constraint imposed by local revenues and budgets, and formula-based grants and revenue sharing. It is frequently observed that local governments, from the district level downward, have little flexibility in the use of funds. International donor-funded programs also help create strong top-down influence on funding allocations. Conditional grant terms contain not only affirmative duties but also lists of things that the grants *cannot* be used for. Conditional grant reporting requirements are said to be onerous.

De Facto LGU Discretion: Adjustability

In order for the main benefits of decentralization to be realized, sub-national governments require sufficient autonomy and discretion—within the structural constraints discussed above—to respond to local demand. The research presented earlier in this paper has suggested that informational channels (voice) from local populations to local governments (municipality/sub-county level) operate moderately well, but the policy responses of all the sub-national governments are less than optimal. In most areas, local officials appear to have little room to maneuver. This rigidity seems to have its roots in a combination of administrative procedures, the revenue constraints discussed above, and the leakages occasioned by corruption and other inefficiencies.

The following discussion explores whether and how local governments can make adjustments in practice. It analyzes to what extent LGUs and service facilities have the factual discretion to tailor aspects of service delivery, such as deciding what kind of health and education services are provided, reprogramming their budgets, and changing personnel. Also, it tries to determine at which level such flexibility is greatest, and what differences appear across sectors and provinces/districts. Since the formal structures discussed above do not vary among jurisdictions, and in any case do not tell the whole story, the research looks to the practice on the ground in order to detect variations across LGUs. Survey responses are used to develop a measure of *de facto* autonomy or *adjustability*.

The surveys asked officials at all three levels (province/district, municipality/sub-county, and facility) how easily they could adjust the provision of health or education services to respond to the suggestions of local constituents. Respondents could answer: “cannot adjust; can adjust with great difficulty; can adjust with some difficulty; can adjust easily.” Responses at all levels in the two countries are summarized in Table 18. Further questions inquired about the authority of officials to hire or fire staff, to decide on the salaries of personnel, to reallocate funds among services, and to offer different services. An aggregate index (scaled between 0 and 100) is formed from these questions to represent the authority of local officials to make a decision unconstrained by resources, regulations, and higher government agencies. The index appears in Table 18, and the data comprising the index appear in Tables 19-20.

Table 18. Discretion: How easily can you respond to suggestions of local people.

Percentage of respondents

	Cannot adjust	Can adjust with great difficulty	Can adjust with some difficulty	Can adjust easily	Adjustability Index	N
Philippines						
Municipal Health	3	3	34	39	79	79
Municipal Administrator	2	1	24	51	87	79
Municipal DECS	1	5	26	48	84	80
Provincial Health	0	3	8	8	75	19
Provincial Administrator	0	8	1	8	83	17
Provincial DECS	0	2	3	14	88	19
Uganda						
Sub-County Health	12	24	47	17	56	124
Sub-County Education	5	26	52	16	59	134
District Health	0	10	75	15	68	20
District Education	0	22	67	11	63	18

Adjustability index=(Can adjust with great difficulty+(2*Can adjust with some difficulty)+(3*Can adjust easily))/3

Table 19. Uganda: Adjustability Measures across Surveys (means)

	Health Clinics (n=140)	District Health (n=20)	Sub-county Health (n=125)	School (n=145)	District Education (n=18)	Sub-county Education (n=137)	All	Key
Take people's suggestions	2.19			2.31			2.25	1:none, 2:some, 3:most, 4:always
Take people's suggestions into plan		2.85	2.43		2.67	2.30	2.43	1:none, 2:some, 3:most, 4:always
Take suggestions into local gov Budget Framework Paper		2.83	2.28		2.43	2.18	2.31	1:none, 2:some, 3:most, 4:always
How easy to adjust plan	2.24	3.05	2.69		2.89	2.80	2.62	1:cannot adjust, 2:with great difficulty, 3:with some difficulty, 4:easily
Flexibility to divert funds from one item to another	1.42	1.75	1.54		1.28	1.99	1.71	1:none, 2:some, 3:a lot, 4:complete
Influence in hiring	2.18			1.80			1.98	1:none, 2:some, 3:a lot, 4:complete
Flexibility in hiring officials		2.15	1.49		2.83		1.72	1:none, 2:some, 3:a lot, 4:complete
Flexibility in hiring for facilities		2.35	1.46		1.72		1.61	1:none, 2:some, 3:a lot, 4:complete

Table 20. Philippines: Adjustability Measures across Surveys (means)

	Health Clinics (n=158)	Provincial Health (n=19)	Municipal Health (n=79)	School (n=81)	Provincial DECS (n=18)	Municipal DECS (n=80)	All	Key
Take people's suggestions	3.52	3.26	3.39	3.12	3.63	3.51	3.47	1:none, 2:some, 3:most, 4:always
Take people's suggestions into plan				2.77	3.00	2.64	2.74	1:none, 2:some, 3:most, 4:always
People's suggestions implemented	3.08	3.00	2.98	2.85	2.79	2.70	2.93	1:none, 2:some, 3:most, 4:always
Flexibility in allocation of funds		2.16	2.20		1.95	1.55	1.91	1:none, 2:some, 3:most, 4:always
Flexibility in hiring personnel (number)		2.90	2.60		2.16	2.21	2.43	1:none, 2:some, 3:most, 4:always
Flexibility in hiring personnel (person)	1.23	2.90	2.74	1.55	2.95	2.28	1.89	1:none, 2:some, 3:most, 4:always
Flexibility in deciding on salary level		2.37	2.76				2.69	1:none, 2:some, 3:most, 4:always
Flexibility in firing personnel		3.05	3.11	1.59	1.47	1.90	2.17	1:none, 4:always
Flexibility in offering any services		2.32	3.08			1.71	2.38	1:none, 2:some, 3:most, 4:always

In the Philippines, provincial and municipal officials report similar levels of flexibility to respond to local demand and a similar scope of discretion, as measured by the adjustability index (Table 18). Examining sub-categories of authority (Table 20) reveals that both local and provincial officials enjoy some discretion in deciding which services to offer, the allocation of funds, and hiring and firing of officials. It is interesting to note the relatively high level of discretion enjoyed by the education (DECS) officers. While they are not politically accountable at the local level, it still appears reasonable to examine the effect of corruption and management practices at DECS offices on education outcomes—and this is done in the next chapter.³²

In Uganda, the majority of public officials at all levels report that they “can adjust with some difficulty” (Table 18) health and education services to respond to the suggestions of the local population. On the broader range of flexibility issues (Table 19), district officials report—often significantly—more discretion for each of these categories than do sub-county officials. The average discretion reported by district health officials, for example, is 66% higher than the average discretion reported by sub-county health officials. There are also significant differences in the responses of sub-county and district health officials about whether their suggestions were incorporated into District (sub-county) Development Plans, and Local Government Budget

³² It should also be noted that the aggregate index and the answers to the question on flexibility to respond to people's wishes are not correlated for municipal officers, and only weakly and imperceptibly correlated for provincial officers.

Framework Papers. All this suggests that district health officials enjoy more discretion and flexibility than sub-county officials.³³

In summary, the results confirm that local governments in both countries enjoy some factual autonomy in the delivery of public services. In the health sector in Uganda and the education sector in the Philippines, district/provincial officials report significantly greater flexibility than do lower-level officials. In the aggregate, health officials report more flexibility than education officials, consistent with the fact that education remains a central responsibility in the Philippines and is largely funded by the center in Uganda. In Uganda, the findings suggest that the most significant local arena of political accountability, public finance, and service provision is the sub-county, but that the district in fact exercises much more policy and administrative authority. In other words, districts are internally centralized to a significant degree. In the Philippines, by contrast, the municipal and provincial levels are closer to being equal in their scope of discretion, although municipalities seem to have more flexibility to tailor services and districts to move funds around.

Public Sector Management Disciplines

Within sub-national administrations, what incentives, constraints, and capacities make for effective service provision? As in other public sector contexts, clear systems of accountability, service and quality-oriented incentives, competent staff, and appropriate resources all play a role. Decentralization in low- and middle-income countries, in particular, poses severe challenges to those attempting to bring these elements of public sector management to bear at sub-national levels. The discussion that follows starts with a brief review of relevant experiences in the Philippines and Uganda, then proceeds into an analysis of survey data, with the aim of assessing the strength of these public management factors.

Structures and Capacities in Local Administration

As in other comparable environments, local public sector management in the Philippines and Uganda centers on: (i) the extent to which LGUs control the recruitment and accountability of staff, and (ii) the ability of these governments to obtain and manage the resources necessary to make their personnel effective. Both countries struggle with these issues, and while the results vary across management categories, they generally favor the Philippines.

In the *Philippines*, civil service hiring and payroll is an area where local budget constraints have arisen starkly. Personnel alone accounts for some 60% of aggregate LGU revenues, and approximately 40-45% in the cities. The national salary scales for devolved employees sometimes create budget crunches and pay disparities between devolved and local officials. Where the central salary scale is too low, some provinces have supplemented devolved civil servant pay out of local funds in order to alleviate the disparity. In other cases, the LGUs ignore centrally-mandated civil servant pay increases because they cannot afford them or wish to save resources (Loehr and Manasan 1999).

³³ It was difficult to compare the levels of discretion enjoyed by district and sub-county governments in education as not enough similar questions were asked, and in any event the findings were at most only marginally significant.

Local governments have also made their voices heard in appointments of government employees that are nominally under full control by the center. For example, in the case of police personnel and school principals, in practice the central department submits a list of names (candidates must be local) to the mayor, who expresses a preference. The favored candidate “pays respects” to the local politicians, and the governor then endorses the appointment. This has brought local politics into the appointment processes. In the case of mandatory devolved positions, local governments appear to face no real consequences if they fail to make the requisite appointments. Opting not to fill such positions enables LGUs in essence to create fiscal surpluses to be deployed elsewhere. In some cases, local governments hire temporary “consultants” to fill civil service needs quickly and with minimal bureaucratic intervention.

In *Uganda*, too, the payroll accounts for the lion’s share of public finance at all levels. Civil service reform reduced public sector staff overall from 320,000 in 1992 to below 140,000 by the end of 1994 (Kisubi 1998). This number rebounded slightly, to 170,000 in 1999 (Kiyaga-Nsubuga 2000). The perception has become widespread in Uganda that decentralization raises the overall public sector wage bill, due to inevitable overlap at different levels of government, leaving little leftover funding for actual programs. At the same time, the districts’ hands are tied (as discussed above) by grant conditions, centrally-determined program priorities, and severe constraints on their authority to fire devolved personnel or reduce their salaries. Many Districts try to escape this bind by passing on personnel costs to the sub-counties, whether the latter have the necessary resources or not.

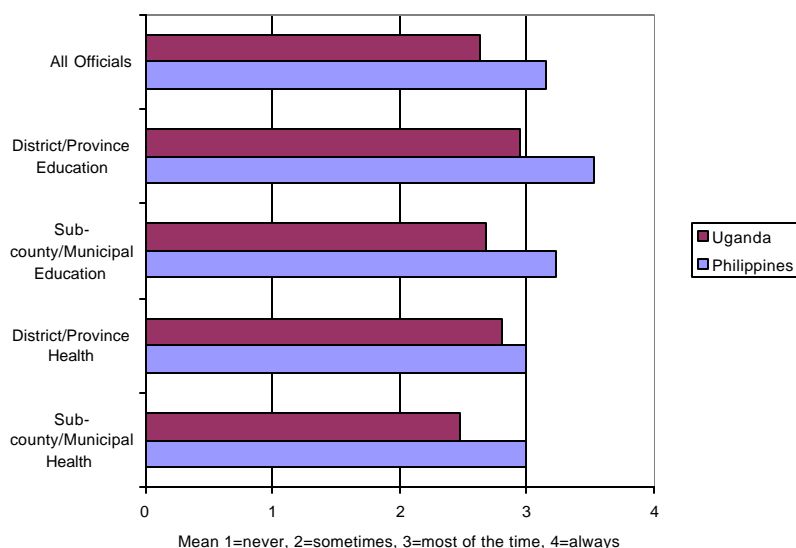
When a Ugandan local government does bear the full cost of a public employee, it acquires a strong motivation to use this fact for maximum political advantage. This, combined with turnover and new positions, has helped create the perception of public employment discrimination. Local politicians have two potential sources of cover for favoritism in recruitment: first, the constitutional requirement that local government staff should be living in the districts where they serve; and second, the fact that the District Service Commissions (DSCs), which should monitor civil service practices independently of the local councils, seem rarely to do so in practice.

Indicators of Effective Public Sector Management

Meritocracy: In this area, the researchers tried to determine whether staff appointment and promotion are meritocratic or based on other factors such as kinship, patronage, or favors. Local officials were asked if the most qualified person gets any given job in their government unit. The results are summarized in Figure 8.

The results suggest that meritocratic recruitment is more common in the Philippines than in Uganda. Obviously, officials’ reports about the criteria used for staff hiring and promotion deserve to be taken with a grain of salt. There are substantial disincentives to reporting the existence of bribery, nepotism, and ethnic discrimination. As with responses to corruption questions, these are presumptively somewhat suspect. Since the questions either overlap or could be affected by the corruption responses, since some values appeared improbably high, and since there were few checks that could be run on these results, the subsequent analysis does not rely directly on these results.

Figure 8. How often does the most qualified person get the job (means)



Officials were also asked a number of questions about the criteria used when staff are promoted, which gives a fuller view of meritocracy issues. These responses appear in Figures 9 and 10. Again, the results suggest that meritocracy plays a larger role in promotions in the Philippines than in Uganda. In Uganda, there was less variance between health and education officials on promotion criteria than in the Philippines. In both sectors and both countries, mean responses are significantly higher for meritocratic criteria (the bottom three bars in Figures 9 and 10). However, significant percentages of sub-county officials in Uganda noted at least modest influence of the following factors on staff promotions in the education system (percentages represent the proportion of officials giving any positive response): political connections (31%), family ties (24%), bribery (15%; compared to 14% reporting the practice of candidates paying bribes to obtain employment), and ethnicity (10%). Similar results were obtained from municipal administrators in the Philippines: political connections (45%), family ties (31%), religion (9%), gender (13%), and ethnicity (11%).³⁴

³⁴ Municipal health and DECs administrators were also surveyed on these matters. Fewer DECs officials than health officials reported promotion based on the criteria cited above.

Figure 9. Average Meritocracy in Health Sector: Promotion Criteria

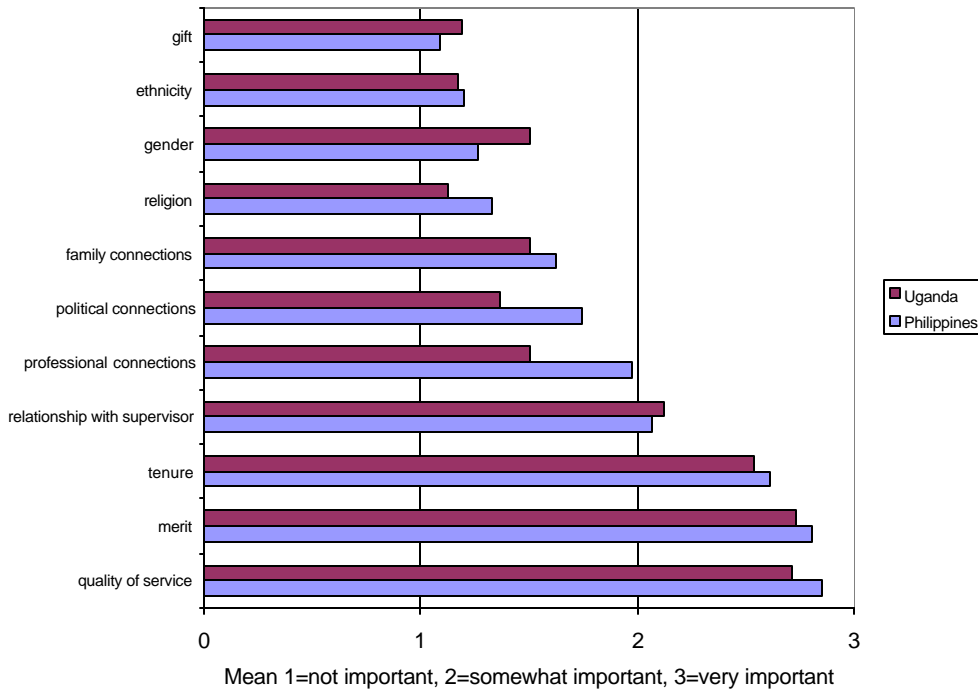
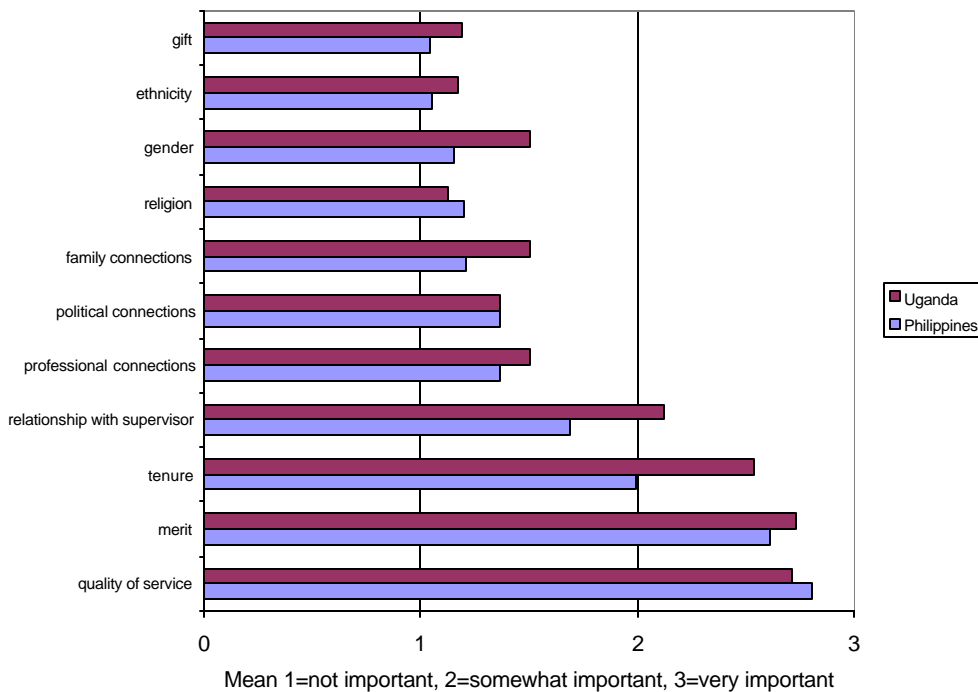


Figure 10. Average Meritocracy in Education Sector: Promotion Criteria



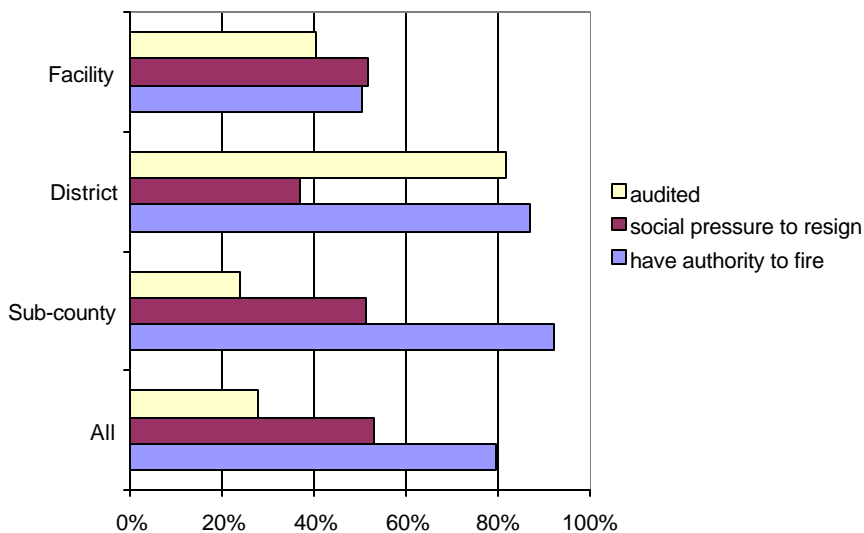
Accountability: Structures of accountability are an important dimension of public sector management. These have external and internal dimensions, although the focus in this part of the research is on the latter. The accountability measures used in the surveys include the unit in question being subject to audit, having the authority to fire employees, using a range of sanctions

against staff who engage in abuses, and using social pressure to encourage such employees to resign. Some of these results are summarized in Figures 11 and 12.

Interestingly, Filipino officials consistently report at a significantly higher rate than Ugandan officials being subject to audit and the use of social pressure to force corrupt staff to resign. However, the rate at which they claim the authority to fire is consistently and significantly lower than for Ugandan officials. On the surface, this suggests greater accountability generally and less discretion with respect to personnel, in the Philippines than in Uganda. It also hints that Filipino officials perceive a higher degree of social responsiveness in dealing with malfeasance in local government than Ugandan officials do. As important, there is also significant variation across public sector levels within the two countries—including more reports of auditing at the province/district level than elsewhere, reflecting the fact that the central government exercises direct oversight over only this level.

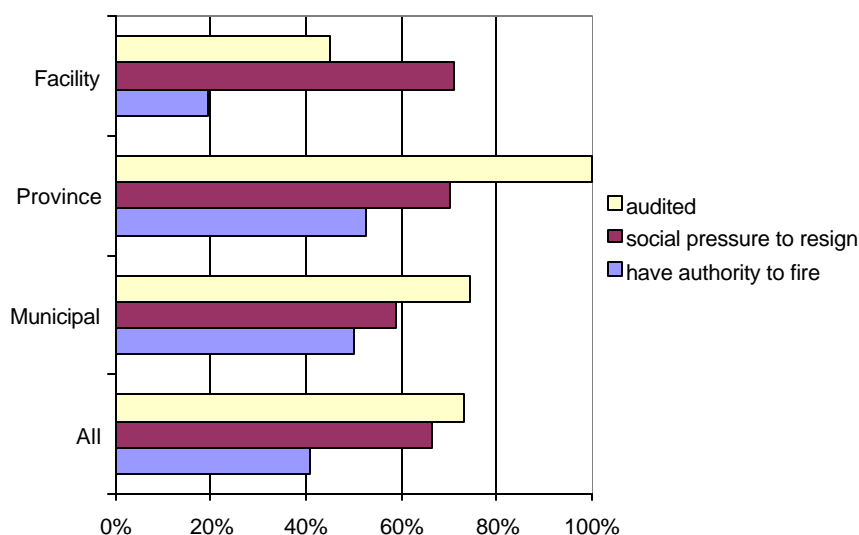
What would most likely happen if someone in the office were caught stealing funds or supplies also varied across countries. In Uganda, the responses suggested a broad tendency to use interdiction³⁵ (reported by 36% of officials) rather than firing (23% on average, but 33% in health facilities), despite officials' reports that they have the power to fire. In the Philippines, sanctions appeared more stringent, with termination being the response according to 25% of respondents, followed by suspension (14%) and investigation by the municipal government (12%).

Figure 11. Uganda Accountability Questions—Responses from Officials and Facilities



³⁵ A form of suspension.

Figure 12. Philippines Accountability Questions—Responses from Officials and Facilities



Capacity: Effective government obviously requires appropriate human and material capacities, and capacity is almost universally cited as a key constraint to successful public sector decentralization. The surveys asked a number of questions relevant to capacity, such as salary levels and sufficiency, education levels and training availability, general staff competency, and sufficiency of supplies and equipment. Some of the findings on capacity-related questions appear in Tables 21-24.

Table 21. Respondents and co-workers need for second jobs

	Uganda		Philippines	
	Respondents need for second job (mean) (0=no, 1=yes)	Co-workers need for second job (mean) (1=no, 2=some, 3=most, 4=everyone)	Respondents need for second job (mean) (0=no, 1=yes)	Co-workers need for second job (mean) (1=no, 2=some, 3=most, 4=everyone)
Health Facility	0.728	1.672	0.594	1.656
District/Province health	0.850	2.176	0.632	2.211
Sub-county/Municipal health	0.836	1.991	0.525	1.987
School	0.591	1.418	0.577	1.820
District/Province Education	0.944	2.00	0.368	2.00
Sub-county/Municipal education	0.832	2.328	0.460	1.747
Municipal Administrator			0.525	2.038
Province Administrator			0.524	1.947
All Public Officials	0.753	1.862	0.526	1.926

On salary (see Table 21), Ugandan officials stated much more frequently than their Filipino counterparts that they needed second jobs to make ends meet, although the responses in the two countries were comparable when officials were asked if *co-workers* needed a second job.

Public education in Uganda experiences greater delays in accessing payroll and staff payments. In the Philippines, these problems are also significant but reported by interviewees to be much less serious than in Uganda. Table 22 illustrates this, providing comparative data on payment and payroll delays affecting schools and health facilities. This data provides another set of indicators of resources available to local public service providers.

Table 22. Facilities' Responses on Payment Delays (Index)

	Uganda	Philippines
Health Facility		
How often has there been a delay of more than one month in getting a new health worker on a payroll?	38	3
In the last year, were there any non-payments or delay of more than two weeks in the payment of your salary?	19	17
In the last year, were there any non-payments or delay of more than two weeks in the payment of your allowances?	20	7
Primary School		
How often has there been a delay of more than one month in getting a new teacher on a payroll?	63	26
In the last year, were there any non-payments or delay of more than two weeks in the payment of your salary?	42	20
In the last year, were there any non-payments or delay of more than two weeks in the payment of your allowances?	43	17

Index based on based on the following formula: ((0*% responded never)+(1*% responded sometimes)+(2*% responded most of the time)+(3*% responded always))/3.

On staff competency, officials in the two countries gave comparable responses to questions about staff understanding of their tasks and functions. However, Ugandan officials reported higher levels of staff commitment to their work, less prevalence of well-trained employees, and less sufficiency of equipment and resources. Here, especially in Uganda, regional variation is significant. Tables 23 and 24 illustrate results on staff competency. The four columns represent answers to questions about how many employees in the relevant office understood their tasks and functions, were committed to their work, were well trained and competent, and had the necessary resources to their job well. Responses, which were given on a scale of 1-4, were transformed into an index that takes values between 0 and 1, where 0 means “no one” and 1 means “everyone.”

Table 23. Ugandan Staff Competence Across Surveys (aggregate indices)

District	Tasks & functions	Committed	Well-trained	Equipment & resources
Masaka	0.86	0.93	0.76	0.64
Luwero	0.86	0.81	0.67	0.45
Rakai	0.90	0.94	0.59	0.41
Lira	0.81	0.87	0.57	0.31
Apac	0.82	0.89	0.56	0.40
Kumi	0.71	0.92	0.71	0.63
Pallisa	0.93	0.93	0.55	0.52
Tororo	0.72	0.83	0.44	0.44
Bushenyi	0.89	0.82	0.62	0.39
Ntumango	0.89	0.78	0.48	0.22

Table 24. Filipino Staff Competence Across Surveys (aggregate indices)

Province	Tasks & functions	Committed	Well-trained	Equipment & resources
Isabela	0.91	0.82	0.86	0.66
Nueva Viscaya	0.89	0.78	0.76	0.67
Bulacan	0.81	0.77	0.76	0.69
Pampanga	0.93	0.92	0.88	0.82
Zambales	0.97	0.73	0.83	0.80
Batangas	0.96	0.78	0.84	0.71
Cavite	0.90	0.87	0.82	0.65
Laguna	0.88	0.78	0.70	0.75
Negros Occidental	0.88	0.75	0.75	0.65
Bohol	0.93	0.89	0.73	0.67
Cebu	0.87	0.80	0.74	0.49
Samar	0.93	0.62	0.73	0.56
Zamboanga del Sur	0.79	0.77	0.67	0.57
Bukidnon	0.93	0.75	0.73	0.68
Tawi-Tawi	0.87	0.90	0.80	0.70
Agusan del Norte	0.78	0.87	0.82	0.73
Surigao del Norte	0.80	0.69	0.67	0.64
Surigao del Sur	0.87	0.82	0.84	0.69
Misamis Oriental	0.93	0.87	0.76	0.76
NCR	0.89	0.87	0.84	0.82

In summary, officials in the Philippines reported overall greater adherence to meritocratic criteria in personnel management, a higher level of accountability, and more resources and capacity in their offices than their Ugandan counterparts. While both countries showed variation across levels of government, service sectors, and jurisdictions, this variation generally appeared greater in Uganda. This supports the view that devolution has not advanced as far at lower levels in Uganda, and that discretion and weak oversight have helped introduce greater asymmetry there than in the Philippines.

Chapter VII: Linking Disciplines and Performance to Outcomes

This chapter examines the causal linkages from the various sources of discipline to public sector performance, and from these to the outputs and outcomes of public service provision. It first looks at the impact of disciplines and government performance on service outcomes. Given the limitations of the preference and cost-recovery data and the importance of corruption, the analysis focuses on corruption as the main performance measure.

The unit of causal analysis chosen, municipality in the Philippines and sub-county in Uganda, yields 80 observations each for the health and education sectors in the Philippines and 75 each for Uganda. Missing data and measurement error therefore present significant risks. However, multiple interviews in each LGU, the construction of composite indices, and reliability checks help to minimize any such problems. The previous chapters have established that the municipalities/sub-counties do have at least a modicum of authority over services and resource-allocation, and that politically active citizens in a given locality can influence decisions in the locality as well as at higher levels (e.g., province/district). In short, analysis at the municipality/sub-county level can provide credible answers.

This analysis proceeded in different ways in the two countries for data-driven reasons. In the Philippines the analysis was conducted in two stages, first estimating the effect of political disciplines and public sector management practices on corruption and then examining the effect of corruption and other factors on service delivery. This was not possible in Uganda because of concerns about the quality of the corruption data and a large number of missing observations on corruption and management practices. First, the data on corruption in Uganda failed an important reliability test (i.e., household corruption perceptions were not correlated with public officials' perceptions of corruption). This suggests that at least one of the measures is invalid, as poor corruption data can lead to perverse results if respondents state that corruption is lowest in places where it is highest. Furthermore, household responses also appear unreliable, because of the heavy reliance on community leaders for information on local politics and corruption. Second, there were a large number of missing observations, which not only has made it difficult to find statistically significant results, but if data are missing in some systematic rather than random way, can lead to perverse results. For this reason, the paper reports results on the causes and consequences of corruption only for the Philippines, where the data are relatively complete and passed all the relevant reliability tests. An outcomes analysis was done in Uganda, but without the corruption and public sector management variables; these results are presented first.

Uganda: Disciplines and Outcomes

The research has focused on three main sources of discipline: civic initiative, intergovernmental accountability, and administrative structures and capacities. The research team used primary pupil test scores and child vaccination rates as the primary outcome measures. Uganda has a standardized national test for primary school pupils, but sub-county level data were not available for analysis. Therefore, the survey instruments included a pupil test administered by the researchers on general knowledge in several subject areas. The average of these scores is used in the analysis, along with a second measure combining normalized test scores with household

assessments of school quality, in order to broaden the outcome measurement beyond the sample primary schools.

For the Uganda data, the impact of political disciplines on education outcomes was examined by regressing the pupil test scores and vaccination rates on two indices—“voting” and “media access and use”—controlling for the average of log-income, female education and male-education in the district/sub-county.³⁶ The variable “voting” is the average of the normalized value of voting in local elections and voting for a “good” reason such as the candidate’s experience, agenda, character, or political affiliation. The variable “media access and use” is the average of the normalized values of whether the media are the primary source of local news, how often the household listens to the radio and how often the household reads the local newspaper.

The outcomes analysis was done in two stages. In the first stage, students’ test scores were regressed on demographic variables available for the students. These variables included whether each of their parents is alive and can read or write. Next, the coefficients on the sub-county dummies were outputted, with the resulting coefficients reflecting the effect of being in a school in the sub-county.³⁷

The results (Table 25, first column) show, first, a positive and significant effect of “media access and use” on the students’ “test score”.³⁸ The coefficient of 2.8 on media means that test scores in sub-counties where everyone reads newspapers and listens to the radio often and uses the media as their main source of local news, are 2.8 points higher than sub-counties with no media use.³⁹ There is no perceptible effect of “voting and political action”. For the broader “education index,” media continues to be significant and voting remains negative, and in fact becomes marginally significant. Income has a large positive effect on test scores; and the average level of mother’s education in the sub-county, constructed using the household data, has a large significant effect of 1.95. Income inequality has no perceptible effect on test scores. Ethnic diversity, on the other hand, seems to be correlated with better performance on test scores—diverse places of learning might lead to better outcomes.

However, ordinary least squares may pick up district-level variation and systematically underestimate the standard errors on the coefficient by assuming observations are independent, hence other methods were also used. Columns 3 and 4 report the same regressions but with robust standard errors re-estimated without assuming independence of errors within districts. The significance levels on “media” drop only slightly, and this variable remains significant at 5%. Finally, a random effects model was estimated. This is the correct method to use when political disciplines on local governments can be effective at both the sub-county and district level. In fact, estimating the model using random effects makes no difference, as the estimation procedure does not find significant district-level variations and produces results identical to the

³⁶ The sub-county level analysis has 75 observations.

³⁷ While controlling for whether the parents are alive and parents’ education, as well as for other community-level variables that may affect test scores like income, education, income distribution, and rural residence.

³⁸ Or technically speaking the component of test scores not explained by basic demographic variables.

³⁹ There is a plausible reverse causality argument—people use media more in places with better education—so every effort was made to remove the effect of parents education on test scores.

OLS estimation. It can therefore be said that using the correct estimator, there is a highly significant and positive effect of media use on the quality of education.

Table 25. Uganda: Civic Disciplines and the Quality of Education

Independent Variable	Score on Pupil Test ^{1,2}	Education Index ^{1,3}	Score on Pupil Test ⁴	Education Index ⁴
	(1)	(2)	(3)	(4)
Intercept	-29.273** (11.403)	-6.879*** (2.074)	-29.273** (9.831)	-6.879*** (1.912)
Media Index ⁵	2.807*** (0.943)	0.522*** (0.171)	2.807** (1.060)	0.522** (0.254)
Voting Index ⁶	0.292 (1.918)	-0.002 (0.349)	0.292 (1.797)	-0.002 (0.295)
log(income)	2.963** (1.158)	0.510** (0.211)	2.963** (1.046)	0.510** (0.215)
Inequality ⁷	-0.242 (0.870)	0.003 (0.158)	-0.242 (1.002)	0.003 (0.192)
Mother's Education	1.950** (0.962)	0.343** (0.175)	1.950 (1.177)	0.343 (0.236)
Father's Education	-1.347** (0.618)	-0.187 (0.112)	-1.347** (0.530)	-0.187 (0.113)
Rural dummy	2.581* (1.535)	0.470* (0.279)	2.581* (1.317)	0.470** (0.187)
Ethnic Dispersion ⁸	2.679 (1.934)	0.259 (0.352)	2.679 (2.442)	0.259 (0.415)
R ²	0.359	0.339	0.359	0.339
N	75	75	75	75

¹ Standard errors are in parentheses.

² The dependent variable is the coefficients on the sub-county dummies from a regression of pupils test scores on demographic variables.

³ The education index takes the average of household reports of education quality and the coefficients on the sub-county dummies of pupils test scores on demographic variables, standardized as mean 0 and standard deviation 1 variables, if both are available. If one is not available, the index is just the variable that is not missing.

⁴ Standard errors from robust regressions, clustered by district, are in parentheses.

⁵ The media index is the sum of the coefficients of sub-county dummy variables from three regressions: whether the media is a household's primary source of information on local politics, how often the household listens to the radio, and how often the household reads the local newspaper.

⁶ The voting index is the sum of the coefficients of sub-county dummy variables from three regressions: whether a household voted, whether a household voted for a good reason, and whether the household participated in political action.

⁷ The inequality measure is the sub-county average of the interquartile range of log(income).

⁸ Ethnic dispersion is measured by calculating the probability that two randomly selected individuals within a sub-county will speak a different language.

* significant at the 10-percent level.

** significant at the 5-percent level.

*** significant at the 1-percent level.

Overall, the evidence suggests that media access and use have a positive effect on the quality of education delivery.⁴⁰ By contrast, voting has no effect on public good delivery. It was noted earlier that the patterns of using community leaders as the main source of information for local politics suggested that there may be elite capture of local politics. The results in this section that the use of media as the source of news on local politics (rather than community leaders) is related to better performance, suggest that elite capture may indeed be constraining education provision.

The Philippines: Causes of Corruption

One well-known hypothesis about corruption is that when public officials enjoy more discretion, they have greater opportunities to demand bribes, and may become more corrupt as a consequence. This idea dates back at least to Myrdal's (1968) chapter on corruption and was formalized by Klitgaard (1988) as follows:

$$\text{Corruption} = \text{Discretion} - \text{Accountability} + \text{Monopoly.}$$

Following this formula, the examination of the causes of corruption in this paper considers the effects of the level of discretion enjoyed by municipal/sub-county administrators and health officers; management systems and practices in their offices as proxies for bureaucratic accountability; civic disciplines such as voting, media exposure and mobility as proxies for monopoly and external accountability; and basic demographic factors such as education, income and urban residence. This analysis uses three measures of corruption as the dependent variable: (i) household responses on corruption, (ii) public officials' perceptions of corruption using answers to specific questions about corrupt practices in the health and administration office, and (iii) a combined index merging the two measures. The combined index raises concerns about respondent bias, as the dependent variable would then share a source with all independent variables, but because care has been taken to clean the data of perception biases, the results can be regarded as valid. The results of the analysis appear in Table 26.

The results suggest that discretion is positively correlated with corruption, while bureaucratic accountability has no significant effect. Discretion is measured by adjustability as reported by public officials (see previous chapter) and therefore is best analyzed using the household level corruption data as the dependent variable. In the Philippines, the regressions showed a positive effect of adjustability on corruption, but it is only significant at 20%. The coefficient of 0.18 means that a one standard deviation increase in adjustability leads to an increase in corruption of 3, or 1/6th of a standard deviation. While the coefficient is not significant at conventional levels in this equation, it does become significant when the combined corruption index is used (and outlier effects are taken into account), and survives a number of robustness checks (see the companion paper on the Philippines). Bureaucratic accountability as proxied by the public

⁴⁰ This is not the case with immunization outcomes. A measure of vaccination rates was painstakingly constructed using household data—however, a large number of households responded, “yes, card not seen.” Since this response cannot be coded as a yes or a no, a satisfactory vaccination measure could not be constructed for econometric purposes.

officials' responses on audits and evaluations has no perceptible effect on corruption (but political accountability does seem important, see below).⁴¹

Table 26. The Philippines: Causes of Corruption

Corruption measure	Corruption Household		Corruption Public Officials		Corruption Merged	
	WLS Robust Std Err	Random Effects Province	WLS Robust Std Err	Random Effects Province	WLS Robust Std Err	Random Effects Province
	(1)	(2)	(3)	(4)	(5)	(6)
Read Local Newspaper	0.207** 2.229	0.185 1.586	0.062 1.025	0.084 1.149	0.292** 2.214	0.284* 1.864
Read National Newspaper	-0.207** 1.929	-0.142 1.188	-0.125* -1.819	-0.116 -1.577	-0.345** -2.473	-0.245 -1.517
Vote in Local Election	-0.482*** -2.703	-0.428** -2.172	-0.191 -1.547	-0.173 -1.420	-0.629*** -2.717	-0.533** -2.135
Vote in National Election	0.322 1.397	0.270 1.086	0.037 0.254	-0.001 -0.006	0.328 1.107	0.205 0.656
Migrate if Health Services Poor	-0.086 -0.742	-0.035 -0.268	0.011 0.143	0.036 0.450	-0.057 -0.394	0.035 0.212
Log PC Expenditure	5.26 0.990	7.44 1.209	-0.903 -0.322	-2.18 -0.589	4.00 0.591	4.63 0.578
Education	0.114 0.477	0.012 0.044	0.381** 2.318	0.397** 2.244	0.541* 1.726	0.390 1.038
Urban	-14.4** -2.387	-14.5** -2.312	-1.06 -0.281	-0.075 -1.356	-15.1** -2.044	-14.8* -1.876
Social Differences	0.173* 1.954	0.151 1.217	-0.070 -1.371	-0.082 -1.458	0.109 0.989	0.166 1.000
Adjustability	0.184 1.491	0.187 1.527	0.056 0.871	0.049 0.676	0.269* 1.773	0.238 1.540
Accountability	0.039 0.320	0.049 0.370	0.052 0.670	0.070 0.857	0.082 0.460	0.127 0.744
Anti-corruption attitudes	2.355 0.412	2.598 0.398	-0.083* -1.685	-0.075 -1.356	3.153 0.402	1.88 0.744
Delayed payments	-0.185 -1.084	-0.194 -1.280	0.064 0.101	0.036 0.393	-0.129 -0.521	-0.154 -0.810
R sq within		0.15		0.22		0.20
R sq between		0.56		0.34		0.55
R sq	0.36	0.34	0.26	0.25	0.38	0.35
N	80	80	80	80	80	80

Of the civic disciplines, voting in local elections and reading national newspapers have a negative impact on corruption. Oddly, reading local newspapers is linked in this analysis with *increased* corruption. While it is plausible that reports on corruption raise local newspaper sales, such an *ad hoc* explanation is unsatisfying. The above variables are constructed using the

⁴¹ Adding capacity and meritocracy to the analysis produced mostly insignificant results (with the exception of capacity in some of the regressions), although the variables did move in intuitive directions. Here there is a problem of the direction of causality: more corruption may lead to poorer quality of hires, therefore lower capacity and meritocracy, while it might be supposed that improvements in capacity and meritocracy would lead to less corruption. In any event, using these measures in analysis of corruption would appear to raise important endogeneity concerns.

household data, and their effects on corruption are best analyzed using a corruption variable constructed with the public official data. When this is done, the significance of most variables falls (perhaps due to more noise in the dependent variable). Voting in local elections and reading national newspapers remain significant at only 20% and 10% respectively, and reading local newspapers becomes insignificant.

The regressions in Table 26 use municipal-level data on the 80 municipalities sampled. The first two equations (1) and (2) use household corruption perceptions as the measure of corruption. The first equation is a weighted least squares estimation with the weights equal to the number of observations in the municipality. This number does not vary much across municipalities, making this equation quite similar to OLS. Equation (2) is a random effects estimation that explicitly takes province-level effects into account. Equations (3) and (4) use public officials' reports on corruption as the dependent variable. The significance of most variables falls when public official reports on corruption are used as the dependent variable. Voting in local elections is only significant at 20%. Reading national newspapers also appears to reduce corruption: the coefficient is significant at 10% using weighted least squares and remains significant at 20% if random effects is used. The effect of reading local newspapers becomes insignificant but with the wrong sign.

One possible reason for weak and insignificant results in equations (1)-(4) is measurement error in the dependent variable. Do the results become stronger if one uses the "best" measure of corruption that can be constructed with the data? To do this, a corruption index is created combining household and public official responses. The fit of regressions (5) is in fact better than equations (1) and (3), and fit of the random effects equation (6) is better than (2) and (4). Voting in local elections is highly significant in the weighted least squares equation, and remains significant at 5% in the random effects specification. This could be a potentially interesting piece of evidence on the relationship between democratization and corruption if it corresponded with cross-country findings, but in fact the latter findings are mixed (see Treisman 2000, and Knack and Azfar 2000). Reading national newspapers is significant at 5% in WLS but only at 20% if random effects are used. Adjustability is now significant at 10% in weighted least squares but only at 20% if random effects are used. Thus all the results do seem a little stronger if the "best" measure of corruption is used.

The analysis found no evidence of the impact of "monopoly" on corruption. The potential mobility of households as measured by a response to the question "Would you move if the quality of government health services was poor?" has no perceptible effect in any of the six regressions (1)-(6).⁴²

In summary, the results indicate that low levels of corruption are linked to voting in local elections and reading national newspapers. These results were significant for voting in local elections and marginally significant for reading national newspapers. Also, evidence of positive correlation between the level of discretion or adjustability enjoyed by local officials and corruption was found. Reading local newspapers, however, had a counterintuitive positive effect on corruption perceptions. Finally, monopoly as measured by the potential mobility of households had no perceptible effect on corruption.

⁴² A series of robustness checks on the results are presented and discussed in the country paper on the Philippines.

The Philippines: Consequences of Corruption

What about the impact of government performance on service quality and outcomes? This section looks mainly at the effects of corruption on health services, and also on education (although to a lesser extent, for reasons of data reliability). The analysis uses several different measures of health services provided by local governments, such as knowledge by health facility staff of required immunizations; household responses on satisfaction and waiting time; and answers to questions on increases in immunizations and decreases in infectious diseases asked of public officials. The results of these analyses appear in Tables 27 to 29. As for educational outcomes, both standardized test scores and household assessments of primary school quality are used as measures, and findings here are summarized in Table 30.⁴³

The results suggest that corruption is negatively associated with the quality of health services as proxied by the health staff's knowledge on required immunizations. With regard to staff knowledge of required immunizations, determinants of correct responses to knowledge questions were estimated at the barangay level. As this measure is more objective than other measures used, the effects of both households' and public officials' perceptions of corruption could be used. The effect of household corruption perceptions is significant in weighted least squares (but only marginally significant if the random effects estimator is used). The effect of public officials' perceptions of corruption are clearer and highly significant (at 1%) in both the WLS and the random effects estimation. Using the combined index on corruption (see above), the effect remains highly significant (at 1%). Income as well as delays in salary payments at the municipal level also seemed to adversely affect knowledge (perhaps due to the drain of the most qualified personnel).

⁴³ Once again, data analysis procedures are mentioned here but covered in more detail in the companion paper on the Philippines.

Table 27. The Philippines: Explaining Knowledge of Immunizations at Government Clinics

	WLS (w=no. of obs in mun.)	Random Effects (Group: Province)	WLS (w=no. of obs in mun.)	Random Effects (Group: Province)	WLS (w=no. of obs in mun.)	Random Effects (Group: Province)
	(1)	(2)	(3)	(4)	(5)	(6)
Urban	-1.048 -0.269	0.899 -0.228	0.816 0.228	0.464 0.126	-1.055 -0.282	-0.722 -0.187
Education (HH)	-0.086 -0.497	0.105 -0.654	-0.022 -0.135	-0.057 -0.375	-0.014 -0.085	-0.066 -0.422
Log(income per capita) (HH)	6.83** 2.094	7.08* 1.950	6.60** 2.053	7.566** 2.162	6.44** 2.020	7.27*8 2.042
Allocation of Funds by the National Govt. Based on Health Related Crit. (PO)	0.839 0.451	-1.171 -0.638	0.147 0.080	-1.41 -0.805	0.550 0.301	-1.36 -0.761
Supply of Medicine (CL)	0.287*** 3.246	0.247*** 2.634	0.253*** 2.862	0.197** 2.198	0.276*** 3.167	0.238** 2.596
Log of number of personnel at clinic (CL)	-5.544 -1.484	-1.90 -0.405	-6.13* -1.711	-3.298 -0.742	-5.30 -1.471	-1.59 -0.347
Social Pressure against Corruption (PO)	-0.029 -0.601	-0.006 -0.134	-0.018 -0.418	-0.007 -0.158	0.025 -0.535	-0.006 -0.126
Corruption at the Municipal Level (HH)	-0.204** -2.551	-0.209* -1.872				
Corruption at the Municipal Level (PO)			-0.524*** -3.142	-0.545*** -3.336		
Corruption at the Municipal Level (PO+HH)					-0.223*** -3.389	-0.242*** -2.885
Delay in Salary Payments (PO)	-0.413*** -3.960	-0.323** -2.170	-0.320*** -3.074	-0.246* -1.731	-0.392*** -4.069	-0.295** -2.038
Delay in Salary Payments (CL)	0.132* 1.649	-0.101 1.481	0.107 1.350	0.079 1.227	0.128 1.568	0.100 1.499
Constant	17.3	16.07	17.7	15.46	17.07	13.22
N	127	127	135	135	127	127
F(10,116)	4.78***		5.94***		6.83***	
Chi Square (10)		20.25**		29.43***		25.65***
R2 within		0.14		0.20		0.18
R2 between		0.23		0.11		0.20
R2 overall	0.21	0.17	0.23	0.18	0.24	0.19

Corruption has an insignificant negative effect on both household satisfaction with health services and waiting time in health units, but a marginally significant effect on the composite index based on both satisfaction and waiting time (Table 28).⁴⁴ Since households' satisfaction with government services and reported waiting times at health facilities are negatively correlated (hence likely to be reliable), they were combined into an index.⁴⁵ Another variable that appears to matter is the supply of medicines, which suggests (unsurprisingly) that decisions at the municipal level or higher are relevant to the quality of services. Further, the number of

⁴⁴ These equations are estimated at the barangay level. This is the best way to estimate the equation because households were asked to rate the quality of health services in their barangay health facility. Out of a potential 160 barangays in which we surveyed health facilities we surveyed, we lost 27 due to missing values on some variable, which left us with 133 observations with which to estimate this equation.

⁴⁵ In creating the index, the propensity to complain was filtered out—see the companion country paper for details.

personnel has a negative and significant effect, perhaps reflecting nepotism and over-employment in the government. Alternatively, more personnel could proxy for greater demand for health services in densely populated areas, which may lead to poorer service.

The final part of the analysis examines the effect of corruption on immunization and disease incidence. A composite index of health performance that includes increases in immunizations, decreases in measles, and an index composed of increases in immunizations and decreases in measles, hepatitis, tuberculosis and diphtheria was created.⁴⁶ Regressions were run at the municipality level, first with households' corruption perceptions. Table 29 reports the results.

The results in Table 29 indicate that corruption has a marginally significant effect on retarding increases in immunization. The effect of corruption on measles incidence is significant at 10% , but corruption is only significant at 20% in the regression using the composite index. Corruption also appears to have an effect on health outcomes through the knowledge of required immunizations by health officials. As stated above, the research found that both household and public official perceptions of corruption had a negative effect on this knowledge. Further analysis shows that this knowledge, in turn, improves outcomes. The knowledge variable is insignificant in the regression of increases in immunizations but highly significant in the regressions of decreases in measles (at 5%) and the composite health index (at 1%). In short, there is robust and sometimes significant evidence showing a direct impact of corruption on health outcomes such as increases in immunization and decreases in measles, and in the latter case analysis shows an indirect effect of corruption on outcomes through better health staff knowledge of required immunizations.

⁴⁶ The immunization data used here are based on reports by interviewed health officers.

Table 28. The Philippines: Explaining Waiting Time at and Satisfaction with Government Health Clinics

	Satisfaction with Government Health Clinic		Waiting Time		Satisfaction-Waiting Time	
	WLS (w=no. of obs in mun.)	Random Effects (Group: Province)	WLS (w=no. of obs in mun.)	Random Effects (Group: Province)	WLS (w=no. of obs in mun.)	Random Effects (Group: Province)
	(1)	(2)	(3)	(4)	(5)	(6)
Urban	0.277 (0.079)	-0.597 (-0.173)	-0.286 (-0.442)	-0.301 (-0.454)	0.095 (0.368)	-0.046 (-0.172)
Education (HH)	-0.040 (-0.318)	-0.058 (-0.393)	-0.025 (-1.088)	-0.017 (-0.630)	0.005 (0.506)	-0.002 (0.221)
Log(income per capita) (HH)	-3.38 (-1.244)	-1.75 (-0.544)	1.15 (1.798)*	0.48 (0.756)	-0.505* (-1.774)	-0.285 (-1.124)
Supply of Medicine (CL)	0.201 (2.680)***	0.216 (2.462)**	-0.038 (-2.721)***	-0.034 (-2.063)**	0.021*** (3.513)	0.020*** (2.946)
Log of Number of Personnel at the Clinic (CL)	-5.38 (-1.705)*	-5.85 (-1.386)	2.58 (2.371)**	1.98 (2.482)**	-1.002*** (-2.812)	-0.947*** (-2.854)
Knows the Required Immunizations (CL)	0.038 (0.415)	0.035 (0.408)	0.027 (2.020)**	0.018 (1.085)	-0.005 (-0.906)	-0.005 (-0.812)
Allocation of Funds by the National Govt. Based on Health Related Criteria (PO)	-0.834 (-0.556)	-0.858 (-0.497)	0.258 (0.850)	0.1138 (0.349)	-0.117 (-0.912)	-0.095 (-0.700)
Freedom to Adjust (PO)	0.142 (1.605)*	0.089 (0.895)	0.007 (0.481)	0.007 (0.400)	0.005 (0.743)	0.001 (0.123)
Freedom to Adjust (CL)	0.017 (0.293)	0.001 (0.025)	0.012 (0.662)	0.017 (1.183)	-0.002 (-0.345)	-0.004 (0.794)
Accountability (PO)	-0.011 (-0.108)	0.039 (0.302)	0.049 (2.196)**	0.047 (1.887)**	-0.014 (-1.492)	-0.010 (-1.064)
Accountability (CL)	0.091 (0.872)	0.089 (0.895)	-0.015 (-1.007)	-0.014 (-0.838)	0.009 (1.118)	0.011 (1.756)
Social Pressure against Corruption (PO)	0.080 (2.018)**	0.092 (2.016)**	-0.006 (-0.892)	-0.004 (-0.561)	0.006* (1.901)	0.006* (1.794)
Corruption at the Municipal Level (PO)	-0.230 (-1.428)	-0.161 (-1.060)	0.044 (1.592)	0.041 (1.381)	-0.024** (-1.995)	-0.022* (-1.815)
Delay in Salary Payments (PO)	-0.098 (-0.750)	-0.065 (-0.471)	-0.018 (-0.466)	-0.029 (-1.103)	0.000 (0.007)	0.005 (0.492)
Delay in Salary Payments (CL)	-0.104 (-1.4476)	-0.099 (-1.469)	0.016 (1.205)	0.025 (2.010)**	-0.010* (-1.755)	-0.011** (-2.109)
Constant	-3.387 (-0.163)	-15.67 (-0.673)	-12.13 (-2.48)**	-7.01 (-1.52)	3.26 (1.554)	1.74 (0.954)
N	133	133	133	133	133	133
F((15,117)	2.26***		2.06***		2.73***	
Chi Square (15)		24.1*		27.58**		41.53***
R2 within		0.12		0.18		0.20
R2 between		0.34		0.29		0.46
R2 overall	0.19	0.17	0.24	0.21	0.29	0.26

Table 29. The Philippines: Explaining Changes in Occurrence of Diseases

	Increase in Immunization	Increase in Immunization Random Effect	Decrease in Measles	Decrease in Measles Random Effect	Health Performance	Health Performance Random Effect
	(1)	(2)	(3)	(4)	(5)	(6)
Urban	6.18 (0.65)	6.78 (0.71)	12.76 (1.20)	12.10 (1.08)	8.92 (1.44)	8.61 (1.39)
Education (HH)	0.89 (2.03)**	0.86 (2.10)**	-0.36 (-0.76)	-0.32 (-0.67)	0.44 (1.41)	0.45 (1.70)*
Log(income per capita) (HH)	-9.45 (-1.09)	-9.38 (-0.99)	0.51 (0.01)	-0.15 (-0.01)	-10.88 (-1.85)*	-11.38 (-1.85)*
Vote in Local Elections (HH)	-0.15 (-0.74)	-0.14 (-0.66)	0.28 (1.06)	0.27 (1.08)	0.10 (0.66)	0.09 (0.68)
Read National Newspapers	-0.31 (-1.94)*	0.30 (-1.89)*	-0.35 (-1.77)*	-0.34 (-1.79)*	-0.11 (-1.31)	-0.13 (-1.28)
Read Local Newspapers	0.27 (1.21)	0.28 (1.57)	-0.32 (-1.76)*	-0.33 (-1.56)	0.01 (0.07)	0.01 (0.07)
Listen Radio	-0.06 (-0.62)	-0.06 (-0.59)	0.09 (0.70)	0.09 (0.77)	0.03 (0.46)	0.04 (0.58)
Go to Private Clinics (HH)	-0.07 (-0.48)	-0.08 (-0.60)	0.34 (1.85)*	0.34 (2.07)**	0.06 (0.65)	0.07 (0.72)
Ethnic Polarization (HH)	0.11 (0.93)	0.12 (0.91)	0.43 (2.53)**	0.43 (2.82)***	0.15 (2.12)**	0.15 (1.75)*
Supply of Immunization (CL)	-0.01 (-0.10)	-0.02 (-0.20)	0.06 (0.24)	0.02 (0.17)	-0.01 (-0.10)	-0.02 (-0.24)
Log of Number of Personnel at the Clinic (CL)	12.74 (1.86)*	12.40 (1.50)	8.27 (0.82)	8.48 (0.87)	4.69 (0.88)	4.80 (0.89)
Knows the Required Immunizations (CL)	0.16 (0.95)	0.15 (0.97)	0.42 (2.54)**	0.42 (2.30)**	0.25 (2.76)***	0.26 (2.51)***
Allocation of Funds by the National Govt. Based on Health Related Criteria (PO)	2.80 (0.75)	2.64 (0.66)	-0.27 (-0.06)	-0.51 (-0.11)	4.55 (2.16)**	4.35 (1.67)*
Capacity (PO)	-0.28 (-0.89)	-0.26 (-1.01)	-0.46 (-1.41)	-0.46 (-1.51)	0.03 (0.19)	0.03 (0.18)
Freedom to Adjust (PO)	0.02 (-0.11)	0.03 (0.18)	0.29 (1.21)	0.28 (1.30)	0.19 (1.74)*	0.19 (1.59)
Freedom to Adjust (CL)	-0.22 (-1.86)*	-0.23 (-1.18)	-0.06 (-0.26)	-0.07 (-0.30)	-0.04 (-0.35)	-0.05 (-0.38)
Accountability (PO)	-0.30 (-1.38)	-0.32 (-1.43)	0.03 (0.10)	0.02 (0.07)	-0.04 (-0.20)	-0.05 (-0.33)
Accountability (CL)	0.09 (0.36)	0.10 (0.51)	0.13 (0.54)	0.14 (0.58)	0.12 (1.01)	0.13 (0.96)
Delay in Salary Payments (CL)	-0.25 (-1.80)*	-0.22 (-1.45)	-0.13 (-0.66)	-0.13 (-0.72)	0.04 (0.37)	0.04 (0.38)
Corruption at the Municipal Level (HH)	-0.31 (-1.73)*	-0.30 (-1.59)	-0.40 (-1.90)*	-0.40 (-1.82)*	-0.16 (-1.52)	-0.17 (-1.35)
Theft at Government Clinics (HH)	-0.31 (-1.88)*	-0.32 (-1.32)	0.29 (0.68)	0.28 (1.00)	-0.11 (-0.41)	-0.12 (-0.77)
Constant	60.56 (1.16)	59.30 (0.93)	-6.73 (-0.08)	-1.77 (-0.02)	46.97 (1.23)	50.25 (1.21)
N	78	78	78		78	78
F(21,56)	2.36***		3.82***		2.16**	
Chi_Sq(21)		29.83*		41.79***		31.54*
R2 within		0.25		0.33		0.29
R2 between		0.46		0.60		0.51
R2 overall	0.36	0.35	0.43	0.43	0.36	0.36

What about the effects of disciplines and government performance on education outcomes in the Philippines? Education is still largely centrally managed, so political disciplines may not be particularly important. However, even central governments may pay more attention to municipalities where people vote more. Hence, the effect of voting on household satisfaction with primary schools was examined.

The analysis used two measures of education outcomes—the first is the average pupil score on the national elementary attainment test (NEAT) and the other is a subjective rating by households of their satisfaction with the quality of education. The measure of corruption used here is from the responses of the municipal education (DECS) officer. The media index—a combination of the frequency of using media, and using media as the primary source of information on politics—appears to have a positive impact on NEAT scores. However, there are concerns about causality: people might read newspapers more often in areas with better education. Regressions on the determinants of household satisfaction with government-provided education services are shown in Table 30.

Table 30. The Philippines: Explaining Education Outcomes

	NEAT SCORES			SATISFACTION WITH SCHOOLS		
	WLS	CLUSTER	RANDOM EFFECT	WLS	CLUSTER	RANDOM EFFECT
Media Index	0.571*** (2.722)	0.576*** (3.244)	0.485*** (3.095)	-0.031 (-0.318)	0.034 (1.138)	0.004 (0.035)
Voting Index	-0.010 (-0.075)	0.011 (0.017)	-0.039 (-0.193)	0.098 (0.812)	0.102 (0.849)	0.095 (0.894)
Log Income	0.247 (1.502)	0.238 (1.503)	11.468* (1.674)	0.039 (0.323)	0.042 (0.322)	-0.298 (-0.071)
Inequality	0.217 (1.445)	0.214 (1.242)	11.681 (1.329)	-0.204 (-0.990)	-0.204 (-0.622)	-9.482* (-1.850)
Education	-0.079 (-0.450)	-0.077 (-0.716)	0.071 (0.179)	-0.042 (-0.369)	-0.043 (-0.285)	-0.10 (-0.052)
Urban	-0.208 (-0.433)	-0.217 (-0.282)	-12.253 (1.636)	-0.126 (-0.985)	-0.119 (-1.234)	-3.318 (-0.747)
Social Differences	-0.100* (-1.875)	-0.100** (-2.273)	-0.058 (-0.604)	0.035 (0.217)	0.033 (0.632)	0.034 (0.573)
Corruption	-0.097 (-1.429)	-0.088 (1.642)	-0.142 (-1.301)	-0.302** (2.160)	-0.304** (-2.313)	-0.633*** (2.646)
N	44	44	44	70	70	70
F test	6.23**	2.84**		2.40*	1.17	
Chi sq			18.83*			12.90
R2	0.42	0.24	0.41	0.14	0.09	0.13

The analysis indicates that social differences and corruption have a negative impact on the delivery of primary education. Social differences—proxied by an index composed of the answers to questions about whether differences in ethnicity, religion, landholdings, etc. divide people—have a negative impact on NEAT scores. Corruption has a barely perceptible impact on NEAT scores. Moreover, the coefficient on voting is negative, perhaps suggesting that more dissatisfied households are more likely to vote. For the subjective measure of satisfaction with education, however, corruption has a clear negative impact on satisfaction. A standard deviation increase in corruption in the DECS office reduces satisfaction by almost 1/3 of a standard deviation. Taken together, the results from the two sets of regressions using different

independent variables, with one significant and one insignificant negative impact on corruption, suggest that corruption does in fact harm education delivery in the Philippines.

This chapter yields a number of interesting results. For Uganda, it was found that media use by the citizenry may lead to better education outcomes. For the Philippines, it was found that reading national newspapers and voting in local elections reduced corruption, and adjustability appeared to increase it. In terms of consequences, the results are clearest for the health sector. Corruption was related to reduced satisfaction with health services, poorer knowledge of required immunization and ultimately to poorer immunization rates and more disease prevalence. Corruption appears to have a clear impact on undermining health services in the Philippines. These same factors also influenced education in the Philippines, showing up quite significantly as determinants of household satisfaction with public education, but not in standardized test scores.

Chapter VIII: Conclusions

This paper began by posing the question “Under what conditions does decentralized governance prove most effective?” Using data from the Philippines and Uganda, this paper has attempted to start answering this question.

The major findings of this paper can be summarized as follows:

- 1) The data suggest that political disciplines on sub-national governments in Uganda and the Philippines may be substantially weaker than anticipated by the theories of decentralization.⁴⁷ Voting patterns and rationales do not differ significantly for local and national elections in either the Philippines or Uganda, although there is some evidence that government officials’ knowledge of local conditions is better at the local than at the national level. Popular knowledge of local as compared to national governance was spotty, and there was in both countries less reliance on the media for information on local than national politics.
- 2) The study revealed important constraints on information flow, which can be expected to exert a major influence on the quality of governance and of service delivery. Citizens in both countries (Uganda more so than the Philippines) rely substantially on community leaders or local officials rather than the media for information on local politics and about corruption. This raises the potential for local government capture by local elites and may explain the apparent weakness of local accountability in practice. In Uganda, moreover, there is credible survey evidence linking citizen information access to the quality of education. Information flow in the opposite direction—i.e., conveying preferences of the local population to officials (“voice”)—appears much less constrained.
- 3) The theoretical concern about locating authority for public goods at appropriate levels gains support in the evidence from both countries. In Uganda, while immunization programs are “vertical” initiatives of the central government, they rely substantially on local support. Data on popular preferences suggest that further investment in improving immunization delivery does not occupy a high priority in most communities. Local governments appear to have grasped this, and many have failed to invest scarce resources effectively in the necessary personnel, storage systems, and equipment. While this choice might be wise in light of competing priorities (e.g., clean water), it does suggest at least an important tension between the central government’s commitment to childhood immunization and its devolution of important aspects of the delivery system (a public good with “spillovers”). In the Philippines, the reverse seems to be true of primary education. There, centralization appears to impose tangible costs in terms of governance, efficiency, and responsiveness—although informal local arrangements apparently have overcome these problems in some cases.
- 4) Corruption, as expected, remains an important concern in both countries. As for the causes of corruption, the research produced some evidence on the effects of discretion, voting patterns, and media access. Respondents in both countries generally perceived there to be more corruption in higher levels of government, and officials at higher levels usually reported a greater scope of discretion. Data from the Philippines showed a clear association

⁴⁷ Within the context of poor developing countries, it does not appear that decentralization was so incomplete in these two cases as to render the theory inapplicable—see below.

of discretion with corruption, and suggested a negative impact of voting participation and media access on corruption.

- 5) The research also demonstrated some significant deleterious consequences of corruption. Most notable was the adverse effect of corruption on health care services and health outcomes in the Philippines. Although such a relation has often been suspected, this study provides an empirical demonstration, perhaps for the first time.
- 6) The research aimed to uncover evidence of the interaction between decentralized government and social status differences such as ethno-linguistic and religious identity. On the whole, these did not prove highly significant as determinants of access to public services or governance quality—although they were cited as problems in the primary schools and with respect to standardized test scores, and they did have an effect on information access and political participation. Moreover, the data from both countries suggest that non-meritocratic criteria, which include political and kinship relations, do intrude into personnel management decisions.
- 7) Hierarchical constraints were very much in evidence in the study. Local officials reported substantial restrictions on their ability to adjust funding and service delivery to local demand. Higher-level governments (at the provincial/district level) reported significantly more discretion, either across the board (Uganda) or with respect to funding allocation (the Philippines). Provincial/district governments also reported stricter accountability—for example, in the form of audits. This is consistent with the more general picture that discipline in these two systems generally runs from the top down. This appears especially true in Uganda, with the center having few checks on its discretion and directly interacting only with the districts, and the districts being internally centralized. In the Philippines, this is less true generally, with the exception of ARMM. Moreover, the pattern of increasing discretion at higher levels broadly corresponds to reports of greater corruption at higher levels.

In short, while decentralization in both countries has indeed moved authority and resources to sub-national governments, the results do not match the most optimistic theoretical expectations. Local governments in the Philippines and Uganda are not consistently responsive to local preferences. Those local governments do, however, appear to be fairly aware of local preferences but in most cases cannot break out of the procedural, resource, and governance constraints that prevent them from responding. Perhaps the most notable weakness of decentralized governance in these contexts (especially Uganda) is the flow of information from governments to their constituents. Here, particularly outside major urban centers, there arise the most serious possibilities of elite capture, with potentially harmful consequences for governance and public service delivery.

This concern goes beyond the possibility that the theoretical benefits may have been diluted due to incomplete decentralization. First, the theoretical prerequisites for fiscal federalism (or full political decentralization) are sufficiently broadly defined that their existence in any case lies in the eye of the beholder. Second, it would be difficult to find another poor developing country that has pursued decentralization as rigorously over a period of years as the Philippines and Uganda. Third, there can, of course, be too much of a good thing. Effective decentralization implies restraints from above and below, hence limits beyond which it becomes dysfunctional.

The research presented here addresses itself less to the optimal *extent* of decentralization than to *conditions* that appear to produce the best results within the range of decentralized arrangements practicable in developing countries.

The conclusions of this paper are subject to two serious qualifications. One is that each country is different: while the findings in the Philippines and Uganda are certainly suggestive, a wider range of countries studied in a similar manner might well provide a sounder basis for conclusions in this area. Another is that neither of the two decentralization initiatives examined here are more than ten years old; there is in all likelihood a learning curve in decentralization, such that residents of localities become gradually better informed about the nature of local government and, in a democratic setting, more effective in expressing their concerns. Thus, the information flows and civic disciplines revealed as rather weak in this study are likely to improve with time.

Thus, the findings presented here suggest some potential lines of policy response:

1. First, the cases of Uganda and the Philippines both suggest care in the design of decentralized systems of government and caution in the planning processes of decentralization. In these two countries, as in most others, decentralization takes place within governmental systems that are formally unitary and political environments that tend to be centripetal as well. This has important implications. In such settings, decentralization frequently leaves in place a hierarchy with much more discretion at upper levels, as well as mechanisms for top-down discipline, than countervailing pressure in the opposite (bottom-up) direction. In other words, vertical imbalances are an important problem in both fiscal and governance terms. Moreover, voter attention and media coverage often appear to have difficulty keeping pace with decentralization. Their intensity is greatest as the stakes involved in a particular office rise—reaching a pinnacle with elected heads of state. Decentralization creates a plethora of small political units that struggle to gain (or avoid) attention in such an atmosphere. Especially where media saturation is a distant prospect, this fracturing of attention can invite narrow interests to abuse public powers and resources in the ensuing informational vacuum.
2. There may be reason to restrain the iterative processes of decentralization, and the incentives within those processes, that quickly bring greater and greater numbers of local governments into being. In a sense, this is the “big bang” dilemma all over again—the question being whether to reform all at once or to take it more slowly and let institutional structures and capabilities catch up. The Filipino and Ugandan situations seem to suggest the latter as the more desirable strategy. However, other decentralization processes now under way, for example in Indonesia, have taken the opposite approach—and indeed, political dynamics may leave policy makers with little choice.
3. Further, experience suggests the importance of a clearly defined terrain of local and national authorities, policed by courts and citizens with some credible legal and political instruments at their command. This includes vertical restraints that operate in both directions—from the top down *and* from the bottom up. In short, a strategy of decentralization clearly entails the

emergence of robust democratic and legal institutions as necessary conditions of its success. The Philippines has had some success in this respect, Uganda less so.⁴⁸

4. Appropriate restraints built into constitutions and decentralization laws, along with well-considered central policies and inclusive joint central-local planning, can avoid overly ambitious decentralization of “spillover” goods. This can also help ensure the alignment of local incentives toward the provision of necessary support in areas of national priority such as communicable disease prevention. To put it another way, decentralization processes should pay careful attention to the incentives and resources for central-local cooperation.
5. There are potential interventions that can address the local “supply side” of the decentralized governance problem, such as reformed media licensing regimes and aid for civic groups and journalists. More generally, decentralization should be approached with a clear awareness of its tendency to dilute the attention of voters and information media as the number of governments grows. One way information flows can be improved at the local level is to conduct regular surveys of households, service providers and public officials, and to disseminate the results of such surveys in the local press, radio and workshops. This would give local governments better information on what services local residents most value and where needs for improvement are perceived; and it would provide citizens with better information on governance and the quality of government services.⁴⁹

The research presented in this paper also has implications for the study of decentralization. First of all, knowledge about the factors tending toward more effective public service delivery would be enhanced by carrying out studies similar to this one in other countries where decentralization has been attempted. (For instance, the ambitious decentralization program now unfolding in Indonesia presents an important opportunity to analyze the determinants of outcomes in various localities, beginning with the initial stages of implementation.) Work is also needed on cost recovery and its relation to the civic, intergovernmental and public management disciplines. Another important topic to pursue would be the influence of political systems and political competition on the three disciplines.

An especially promising line of inquiry arising from this study is the analysis of *information flows* and their effects on decentralized governance. The examination of the two-way information flows between LGUs and their constituents featured here might be expanded to include central government. This would bring in both the comparative dimension of local and national government information exchange with the citizenry and the vertical intergovernmental dimension. Such an approach appears necessary for a complete understanding of decentralization, since the latter imposes significant changes on central as well as sub-national governments. A related avenue of potentially useful research would be the impact of media availability and competition at different levels of government jurisdiction.

⁴⁸ Systems undergoing decentralization need a credible neutral arbitrator to resolve hierarchical conflicts involving the center, sub-national governments, and constituents. Such a mechanism—e.g., a constitutional court or an administrative tribunal—can bolster the disciplining pressures that help keep all government levels in check, and in doing so help curtail opportunities for corruption. Maintaining the effectiveness of such a mechanism, however, usually proves to be exceedingly difficult, and impossible in some settings.

⁴⁹ This is not a new idea: “service delivery surveys” and local government “report cards” have begun to proliferate.

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Annex Table 1. Issue Areas Covered in Surveys

Household Survey	Public Administrator Survey Philippines only	Public Official Survey: Education ⁵⁰	Public Official Survey: Health	School Principal Survey	Health Facility Worker Survey
Issues Covered in Both Countries					
Basic demographics on respondent and family	Basic demographics on respondent	Basic demographics on respondent	Basic demographics on respondent	Basic demographics on respondent	Basic demographics on respondent
Health care use	Demand responsiveness of service delivery	Demand responsiveness of service delivery	Demand responsiveness of service delivery	Demand responsiveness of service delivery	Demand responsiveness of service delivery
Knowledge of immunizations	Government run primary schools	Government run primary schools	Government run health units	General primary school information	General health unit information
Closest government and private unit	Role of local government in education delivery	Role of local government in education delivery	Planning of service delivery, supplies of vaccines and medicines	School supplies facilities and equipment	Supplies of vaccines and medicines
Immunizations of infants	Performance standards and monitoring of service delivery	Performance standards and monitoring of service delivery	Performance standards and monitoring of service delivery	Performance standards and monitoring of service delivery	Availability of equipment
Primary school	Performance of service delivery	Performance of service delivery	Performance of service delivery	Performance of service delivery	Performance of service delivery
Parent teacher association	Funding of service delivery	Funding of service delivery	Funding of service delivery	Funding of service delivery	Funding of service delivery
Mobility	Personnel, recruitment, salaries and allowances	Personnel, recruitment, salaries and allowances	Personnel, recruitment, salaries and allowances	Personnel, recruitment, salaries and allowances	Personnel, recruitment, salaries and allowances
Access to media	Disciplining and firing of staff	Disciplining and firing of staff	Disciplining and firing of staff	Disciplining and firing of staff	Disciplining and firing of staff
Knowledge and awareness of govt. actions	Individual performance evaluation	Individual performance evaluation	Individual performance evaluation	Individual performance evaluation	Individual performance evaluation
Voting and political action	Corruption	Corruption	Corruption	Corruption	Corruption
Social cohesion	Municipal School Board	Supply of textbooks and other material		PTA	Health unit management Committee
	Supply of textbooks and other material			Immunization in schools	
Issues Covered in Uganda Only					
<ul style="list-style-type: none"> • Malaria • Village Health committee • Salary, land and ownership of materials, water 		<ul style="list-style-type: none"> • Planning of service delivery • Education committee 	<ul style="list-style-type: none"> • Health committee 		
		<ul style="list-style-type: none"> • Data sheet: Overall revenues and expenditures 	<ul style="list-style-type: none"> • Data sheet: Overall revenues and expenditures • Immunization and malaria 	<ul style="list-style-type: none"> • Data sheet: Performance of service delivery • Funding of service delivery 	<ul style="list-style-type: none"> • Data sheet: Performance of service delivery • Funding of service delivery • Supplies and vaccines
N=1125		N=137 Sub-county N=18 District	N=125 Sub-county N=20 District	N=145	N=140

⁵⁰ In Uganda, the official interviewed about public education at the sub-county level was the Sub-county Chief.

Household Survey	Public Administrator Survey Philippines only	Public Official Survey: Education ⁵⁰	Public Official Survey: Health	School Principal Survey	Health Facility Worker Survey
Issues Covered in the Philippines Only					
• Family planning		• Municipal School Board	• Municipal Health Board • Immunization and family planning		
	• Data sheet: Overall revenues and expenditures • Equipment	• Data sheet: Enrollment rate, NEAT pass rate • Equipment	• Data sheet: Government health units • Immunization rates (provincial officer asked for municipal level data)	• Data sheet: Enrollment rate, NEAT pass rate • Equipment	• Data sheet: Vaccinations, infectious disease incidence • Contraception
N=1120	N=80 Municipality N=20 Province	N=80 Municipality N=20 Province	N=80 Municipality N=20 District	N=160	N=160