

Indicators of Good Governance: Developing an Index of Governance Quality at the LGU Level*

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INTRODUCTION

Government, authority, control, power. Governance is all these and more.

Governance may be defined as the manner in which power is exercised in the management of a country's economic and social resources for development. However, governance is not simply about how government conducts business in its own sphere. It is also about how government interacts with civil society. It tells how well government has encouraged and facilitated people's participation not only in the delivery of services but also in the evaluation and monitoring of government performance itself.

Governance is a complex concept. It includes the state's institutions and structures, decisionmaking processes, capacity to

*This is a modified version of Manasan, Rosario G., Eduardo T. Gonzalez and Romualdo B. Gaffud. 1999. *Towards Better Government: Developing Indicators of Good Governance for Local Government*. National Economic and Development Authority (NEDA) and United Nations Development Programme (UNDP).

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implement and the relationship between government officials and the public (Landell-Mills and Serageldin 1992).

As such, governance has both political and technical dimensions. It relates to a nation's political system and how this system functions in relation to public administration. At the same time, it also involves the efficiency and effectiveness of public management. The key to improving the level of governance is to find rules and norms that create incentives for state agencies, officials and civil society to act in the collective interest at the least cost to society (World Bank 1997).

Objectives of the Study

The primary objectives of this study are:

- to develop measurable indicators of good governance at the local government level;
- to test how applicable these indicators are in evaluating and monitoring LGU performance; and
- to find out how these indicators can be integrated in a monitoring and evaluation system within the framework of Sustainable Human Development.

In particular, this study attempts to develop a composite index of the quality of governance at the local government level. In doing so, the biggest challenge lies in being able to reduce the multiple facets of the governance concept into a small number of key observable dimensions. Furthermore, there is the task of defining a limited number of indicators which are able to capture the essence of each dimension and which can be measured with some consistency and comparability over time and space.

The governance quality index that was constructed for this study focuses on three principal elements: (1) capacity of the LGU to mobilize and utilize resources; (2) efficiency and effectiveness in the delivery of social services; and (3) presence of mechanisms to ensure accountability.

Nonetheless, this study's view of governance is not limited to these aspects alone. Indeed, it is recognized that on a broader scale, governance indicators should also encompass the legal framework

for development including the judicial system, economic management, and egalitarian income distribution (World Bank 1992; Huther and Shah 1998). However, this study deems that these dimensions of governance are more applicable to the central government than to LGUs.

Limitations

While the better measures of governance are based on outcome indicators (like the UNDP's human development index, HDI), outcome indicators are usually not measured often enough (either because it is costly to do so or because many outcome indicators do not show significant changes when measured frequently) for them to be more useful in the perspective of development administration. In this regard, the use of input, output or process indicators may be justified on the grounds that these intermediate indicators serve as forerunners of the corresponding outcome indicators. This, of course, presupposes a strong link between the intermediate indicators and the outcome indicators. For instance, studies have shown a strong connection between government social/human development expenditures and HDI (UNDP 1996). Countries that spend more on social/human development tend to rank high in HDI.

The governance indicators developed in this study are, at best, limited to "end points" or output indicators. The indices constructed are not intended to supply information on why the results are the way they are. The indices developed may provide some clues, but they will not explain why some LGUs perform better than others. To determine the reasons for the outcomes would require a full-blown evaluation type assessment that is outside the scope of this study.¹

¹Cook et al. (1993) point out that only an in-depth evaluation can measure impacts and can tell what produced them. Evaluations seek to identify causal relationships. In contrast, performance measurement focuses on effectiveness and efficiency and provides a feedback to managers and policymakers.

REVIEW OF LITERATURE

This section surveys two classes of works that are relevant in the task of constructing indicators of good governance. The first group focuses on the conceptual underpinnings of governance. The second one deals with the more empirical concern for performance measurement.

Elements of Good Governance

It has been observed that it is the quality of governance and not the type of political regime, per se, that has made the difference in the economic performance of Asian countries. Project evaluations conducted by the Asian Development Bank and the World Bank show that project performance is largely determined by the countries' overall capacity for administration or implementation of programs.

These findings indicate the importance of the nonpolitical and functional elements in the strategic interactions between government and citizens. Specifically, they highlight the fundamentals of accountability, transparency and predictability (Root 1995). In like manner, the World Bank (1992) emphasizes four dimensions of governance: capacity and efficiency of the public sector, accountability, legal framework for development, and transparency and information.

On the other hand, Landell-Mills and Serageldin (1992) include the following as the critical elements that make up good governance: political and bureaucratic accountability, freedom of association, objective and efficient judiciary, freedom of information and expression, and efficient public institutions. Meanwhile, Huther and Shah (1998) consider four observable aspects of governance: citizen exit and voice, government orientation (judicial efficiency, bureaucratic efficiency and lack of corruption), social development (i.e., human development in the tradition of UNDP plus equity) and economic management.

Accountability and Participation. Accountability holds public officials responsible for government behavior and makes it

imperative for them to be responsive to the needs of the citizenry. At the local level, accountability requires that institutions have the flexibility to allow beneficiaries to improve program/ project design and implementation. It also entails the establishment of criteria to gauge the performance of local officials and the creation of oversight mechanisms to ensure that standards are met.

Accountability may be obtained at two levels: macrolevel accountability and microlevel accountability (Paul 1991; World Bank 1992).

Macrolevel accountability refers to the system whereby ministers are accountable to the legislature and/or political leadership and whereby civil servants are accountable to the ministers. It has two main aspects: financial accountability and economic accountability.

On the one hand, financial accountability involves: "a properly functioning government accounting system for effective expenditure control and cash management; an external audit system which reinforces expenditure control by exposure and sanctions against misspending and corruption; and mechanisms to review and act on the results of audits and to ensure that follow-up action is taken to remedy problems identified" (World Bank 1992).

On the other hand, economic accountability refers to the evaluation and monitoring of efficient use of resources in government. It may be reflected in performance contracts, memorandums of understanding, value for money audits and legislative review of ministry or department activities.

Macro-level accountability may be promoted by: making comprehensive and timely information available; classifying expenditures in a manner consistent with budget programs; doing appropriate analyses for decisionmaking; comparing budgets with results; improving the organization and accounting system in the finance ministry; increasing the legal requirements for financial reporting; ensuring the independence of the audit organization; and focusing on "value-for-money" audits.

In contrast, micro-level accountability results from two basic factors. The first refers to the willingness and ability of the public to "exit", meaning to consider other options when dissatisfied with a public service (Paul 1991). Exit is greatly influenced by the degree to which the public has access to alternative suppliers of a given public service. Policies and mechanisms that promote greater competition like deregulation, contracting out of services to multiple private providers and public-private or public-public competition enhance exit. Citing Baumol and Lee (1991), the World Bank (1992) noted that contestability is crucial in creating a competitive environment. That is, when incumbents are made to bid for contracts along with outside competitors or when regulations favor new entrants, then incumbents are more conscious of turning in a good performance.

The second aspect of micro-level accountability refers to the willingness and ability of the public to exert pressure on providers to perform well (i.e., the use of "voice"). Voice depends on the degree to which the public can influence the quality and quantity of a service through some form of articulation of preferences (World Bank 1997).

A survey of beneficiaries' satisfaction with the amount of services provided is one way of providing "voice mechanisms." So are procedures for making complaints and institutions like the ombudsman. Participation of nongovernment organizations or private sector representatives in decisionmaking or regulatory bodies is still another way of promoting voice.

The choice between exit and voice mechanisms should be guided by the factors which foster each of these options. The potential for exit depends on the presence of economies of scale (monopoly – the telecommunications industry used to consist of only one big industry player; so with the local airline industry), legal barriers to entry, and spatial barriers to exit (e.g., remoteness of a village so that it is efficiently served by only one school or clinic).

In contrast, the potential for voice is influenced by legal, institutional and informational barriers facing the public, the public's level of income and education, and nondifferentiability of the public

service. For example, the absence of freedom of association, of participation and of expression certainly hampers the exercise of voice. So does lack of information. Also, low education levels constrain the public's ability to evaluate options and participate in public debates.

Paul (1991) posits the following propositions in evaluating the menu of exit/voice options. First, when the public service operates as a local monopoly due to spatial barriers and when the public is characterized by low incomes and legal, institutional and informational barriers, *improved accountability is better achieved through the use of voice*. Under these conditions, the use of voice is likely to be stimulated by the intervention of agents outside of the local community (e.g., NGOs).

Second, when the public service is characterized by large economies of scale and/or legal barriers to entry, when service differentiation is difficult and when the public is not constrained by low incomes and limited information, voice will tend to be used to induce greater accountability. The use of voice under these conditions is likely to be initiated by the public and not through external agents. Third, when public service can be differentiated, when it is not constrained by economies of scale and the public faces income, informational and institutional barriers, *improved accountability is achieved through the use of exit*.

The World Bank (1992) also asserts that micro-level accountability reinforces macro-level accountability. On the other hand, Paul (1991) makes a stronger statement in noting that *overall public accountability is sustainable only if macro-level accountability is reinforced by micro-level accountability but that competition and/or participation cannot substitute for good financial and economic accountability*.

Lander-Mills and Serageldin (1992) adds a third dimension to public accountability: *political accountability*. In their view, political accountability is enhanced by the presence of a system of popular choice, which makes governments responsive to popular demand.

Transparency and information. Transparency implies the provision of relevant and reliable information to all. The private sector needs accurate and timely information about the economy and government policies for effective decisionmaking. Transparency in decisionmaking and implementation reduces uncertainty and can curb corruption among public officials. It complements and reinforces accountability (by enhancing efficient use of resources and by promoting participation) as well as predictability (by lowering uncertainty and transactions costs) [World Bank 1997]).

Predictability, presence of legal framework. Predictability refers to the fair and consistent application of laws, regulations and policies. It is important in creating a stable economic environment that allows prospective investors to assess opportunities and risks, to transact business with one another, and to have a reasonable assurance or recourse against arbitrary interference (World Bank 1992).

Predictability has five critical elements: (1) there is a set of rules known in advance; (2) the rules are actually in force; (3) there are mechanisms assuring application of the rules; (4) conflicts are resolved through binding decisions of an independent judicial body; (5) there are procedures for amending the rules when they no longer serve their purpose.

In less analytic and more popular literature, Osborne and Gaebler (1992) enumerate the characteristics of good governments—decentralized, catalytic, community-owned, competitive, mission-driven, results-oriented, customer-driven, enterprising, anticipatory and market-oriented. These are the same qualities that characterize the best-run companies or corporations. In the midst of serious social problems and swift global transformations, the authors espouse a highly decentralized and nontraditional form of governance to maximize productivity and effectiveness. Good governance based on these principles would mean a shift from traditional to new roles and structures.

Catalytic and community-owned government. Local chief executives now assume the role of facilitating problem-solving by stimulating the community into action. They are no longer confined

to the tasks of collecting taxes and delivering services. They are also involved in defining community problems and mobilizing scarce public and private resources to achieve community aspirations.

A catalytic local government assumes more "steering" functions (as opposed to "rowing") by leading society, convincing its various interest groups to embrace common goals and strategies. As such, the focus of a catalytic government (or one that acts as a change agent) shifts from "doing" things (from delivering services) to making more policy decisions and putting more social and economic institutions into motion. It is also one that ensures that other institutions are delivering services (instead of hiring more public employees to do the job).

Catalytic local governments may contract out some services but privatization is just one of the answers. It is not the only answer. Community services and programs offered by local governments may be designed such that the clients are empowered and become less dependent on government for their needs. Local officials may also facilitate ownership of programs by the community through the self-help process. Nongovernmental organizations and people's organizations may be tapped to assist in promoting self-help and in formulating and implementing development projects.

Competitive, enterprising, anticipatory, results-oriented governance. Local governments, as further illustrated by Osborne and Gaebler (1992), should take a competitive stance to achieve greater efficiency. They should promote competition among service providers to keep costs down and to induce greater customer satisfaction. Local governments could enhance competition by encouraging private firms to provide goods and services that were previously provided by the public sector either by load shedding (with the government consciously withdrawing from public provision), procurement or contracting.²

²Contracting is not easy. Osborne and Gaebler note that contracting works best when public agencies can define precisely what they want done, generate competition for the job, evaluate a contractor's performance and replace or penalize those who fail to achieve expected performance levels.

Local authorities should also be enterprising in the sense that they should look for innovative ways to create revenue (such as charging user fees for some public services, like the use of public rest rooms, parking lots) and investing for returns (i.e., evaluating the returns on their spending as if it were an investment). It is also important that governments put the right incentive structure in place. One way of doing so is by allowing governments/agencies/departments to keep some of the money they make or save through such mechanisms like shared savings/earnings and revolving or enterprise funds.

Good local governance requires foresight. Local governments should focus more on prevention rather than cure, as it is easier and less expensive to solve problems rather than to respond to crises. Prevention is particularly beneficial in health care and environmental protection. Thus, good governments are able to anticipate the future and to make decisions based on their vision of the future (e.g., through strategic planning).

A results-oriented local government gives more attention to funding, monitoring and measuring project/program outcomes rather than inputs (Osborne and Gaebler 1992). In contrast, when institutions are funded according to inputs, they have little incentive to turn in a good performance. In this light, a set of performance measures and, possibly, a system of linking funding or rewards with results is needed to ensure that program outcomes are achieved.³

At the personnel level, Root (1995) adds that clear career paths and adequate compensation are essential in improving staff productivity. This indicates the need to establish mechanisms to evaluate performance so that promotion is based on achievement. Also, compensation and other incentives, like opportunities for skills upgrading, should be linked with successful program implementation.

³Osborne and Gaebler (1992) pointed out that many times performance measurement achieves good results quite independently of the reward/incentive system.

Decentralized decisionmaking and fiscal responsibility. Shah (1994) argues that decentralization of fiscal responsibility contributes to the efficient provision of local public services since expenditures are matched closely with local preferences and needs. Moreover, accountability is promoted by the clearer and closer linkage between the benefits and costs of local public services. Oates (1972) further emphasizes the principle of subsidiarity: public services are provided most efficiently by "the jurisdiction having control over the minimum geographic area that would internalize benefits and costs of such provision."

Also, the greater responsiveness of local governments to local demands encourages fiscal responsibility and efficiency if financing is also decentralized and interjurisdictional competition and innovation are enhanced (Root 1995). In line with this, the principle of subsidiarity has also been put forward with respect to taxation: lower levels of government should be assigned to collect taxes unless a convincing case can be made for it to be given to higher levels of government.

Thus, decisionmaking should occur at the lowest level of government on the grounds of efficiency, accountability, manageability and autonomy. However, economies of scale and benefit-cost spillovers (or externalities) may alter these results somewhat. Economies of scale arise when the costs of production (per unit of output) decline with the scale of production. In many countries, for instance, the cost per resident of delivering specific types of services (like water supply and sewage treatment) decreases as the number of residents increases. Similarly, certain services require specialty services that can only be justified for large client populations. Examples of these are tertiary hospitals and fire-fighting equipment for high-rise buildings (Bahl and Linn 1992). In these cases, the optimal size "plant" for providing certain kinds of services in the most-cost effective manner may be larger than a local jurisdiction.

On the other hand, benefit or cost spillovers occur when the benefits/cost of a public service are realized by nonresidents of the jurisdiction providing the said service to its constituents. For instance, local health services such as immunization lower the morbidity risks not only of the residents of a given municipalities but also those of other municipalities (Capuno and Solon 1996). Similarly, polluting activities in upstream municipalities increase the health risks and, consequently, the demand for health services in downstream municipalities.

The optimal size of jurisdiction will vary with specific instances of economies scale and benefit/cost spillouts. The optimal provision of public services is ensured when the marginal benefit equals the marginal cost of production. This is achieved when the benefit area and the political jurisdiction are congruent. When this occurs fiscal equivalency is said to be in place (Oslon 1969). In such a situation, the free-rider problem is surmounted. However, the fiscal equivalency principle may require a different-sized jurisdiction for each public service.

Measuring the Performance of Governments

Output-input efficiency measures. According to Hatry et.al. (1992), efficiency measures of local governance are output-input ratios with outputs defined in terms of (1) work load, (2) some measure of effectiveness, and (3) equipment and personnel utilization rates.⁴

⁴ Hatry, et. al. give examples of these measurements. One of their illustrations is on fire protection and is shown below:
Fire Protection – Measures of Efficiency

Type 1: Output in units of work load over input
number of firecalls responded to per dollar
number of fire prevention inspections per dollar, perhaps categorized by residential or commercial

Type 2: Output in units of effectiveness over input
number of fires fought for which less than a target amount of spread occurred per suppression
number of households and business establishments “protected” per dollar, with “protected” defined as those establishments without a fire during the period

Type 3: Utilization Measures
percentage of downtime of major fire equipment
percentage of time fire crews are understaffed

In the first measure, one or more physical workload units can be identified as outputs. These outputs are then related to the amount of resources used in producing them.

The second measure considers output in terms of the quality of service provided. This type of measure, however, shares a shortcoming that is common to all effectiveness measures. It is often difficult to obtain some desirable indication of effectiveness in terms of the success of prevention effort, i.e., prevention of crimes, fire, traffic accidents, or diseases. In these cases, the approach often used is to measure the number of incidents not prevented – the number of crimes, fire, traffic accidents, or prevailing diseases. The authors then argue that relating these to cost or time does not make sense. Expressing effectiveness measures as percentages likewise is not of much use; they should be converted to numbers which can be used in the ratios.

The third measure reflects the amount of specific resources that are utilized (or not utilized) for potentially productive activities. This type of measure does not directly assess the amount of output obtained from these resources and, thus, should be considered only as a proxy indicator.

Hatry et.al. (1992) caution that efficiency implies a certain level and quality of service. An increase in the output-input ratio does not indicate an improvement in efficiency if the quality of service is not maintained, at the very least. Thus, it is necessary to examine both efficiency and effectiveness measures to see the whole picture of government performance. Moreover, the number of activities in local governments that can be measured seems endless. This could lead to excessive and tedious data collection and should be avoided.

In like manner, Gaffud (1997) enumerates three elements that are essential in constructing indicators for measuring the performance of the public sector: efficiency, effectiveness and economy. Efficiency links outputs to costs; effectiveness ensures the attainment of organizational objectives/goals; and, economy matches actual to planned costs.

Some of the measurements illustrated above, where quantitative indicators are involved, may not actually work because of difficulties in measuring public sector outputs not only in value terms but, at times, also in physical terms. Gaffud (1997) contends that public sector outputs are usually intermediate products that are, at best, "proxies" for the intended final output. Examples of these are outputs produced by regulatory and social service agencies.

While the output of some government agencies can be measured (like postal services where service and cost comparisons with those incurred by private firms can be made), measurement of public sector output in other areas (like defense, regulatory activities and social welfare programs) remains elusive. Thus, input indicators as proxies for nonmarket outputs are generally acceptable.

Well-being indicators. Several sets of indicators have been made to assess the accomplishment of government in promoting human or social development. The Social Indicators Project (SIP) done in 1973 by the Development Academy of the Philippines (DAP) was a pioneering effort in this regard.

The SIP considered social concerns as the goals of Philippine society and treated social indicators as synonymous to welfare indicators. Present welfare consists not only of the welfare of Filipinos currently alive but also of the welfare of future generations (Mangahas 1976). The terms welfare, social, and development have been said to carry some value or ethical content. In coming up with welfare indicators, it has been argued that indicators cannot and need not be free of value judgment. What is more important is that elements of the judgment should be made explicit.

Research on social concerns and social indicators done in other countries supplied the guidelines used by the SIP in drawing up the list of basic Philippine social concerns. The following social concerns were found to be universal and not at all unique to any country: health and nutrition, learning, income and consumption, employment, nonhuman productive resources, housing, utilities and the environment, public safety and justice, political values, and social mobility.

For each concern, a limited number of measurable indicators were drawn up. The indicators chosen were those which are reliable, replicable, and simple to interpret in order to be easily understood by the end-users – the general public. Also, there was a preference in favor of final rather than intermediate indicators. In other words, the indicators should reflect the outputs rather than the inputs of the social system. For instance, it was noted that the crime rate is a preferable indicator than the number of policemen per block. In like manner, the proportion of people who are ill is a better indicator than the number of hospitals beds available.

Measuring the citizen's level of awareness or satisfaction. For all the technical difficulties they present, experiential (or public opinion) surveys are perhaps the best way of seeing how things are from the citizens' point of view. And as Jurado (1976) amply demonstrates, these indicators may come in neat quantifiable bundles. Consider three subjective indicators: index of political awareness, index of political participation, and index of political efficiency.

For each index, the general formula can be given as

$$Index = (1/n) \sum_{i=1}^n PS_i$$

where PS is the average score on political awareness by respondents i , and

n is number of respondents. In turn,

$$PS_i = \sum_{j=1}^k W_{ij}$$

where W_{ij} is the score of respondent i on item j of political awareness, participation or efficacy where there are a total of k items.

To measure political awareness/efficacy, respondents are asked to indicate their awareness (or perceptions on the efficacy) of k government programs or policies. To gauge political participation, for instance, the respondents may be given five areas of community

activities and asked to identify what form of community participation they would undertake if given the chance to participate.

Similarly, perceptions on welfare or human conditions may be quantified through ranking which is an average subjective rating by the people themselves of the degree to which they felt, for example, they are well-off. The weakness, however, of this approach is that it does not indicate specific areas of failure and success. It is also not always accurate since it relies heavily on people's perceptions/expectations that change from time to time. To illustrate, the average rating may drop despite rising levels of living if high expectations remain unfulfilled.

Construction of Composite Welfare/Human Development Indices

The need to develop a single index for various aspects of governance is generally perceived to be important. Paqueo (1976) contends that despite difficulties in coming up with an index to monitor the health of the people, there is pressure to have one just like the GNP which can be used to monitor the nation's economic health. The construction of a composite measure of human development which expresses various components in a single magnitude is difficult but several successful efforts have been made.

Human development index. The human development index (HDI), for one, has been widely accepted. The HDI is based on three indicators: longevity, educational attainment and standard of living (UNDP 1996). The UNDP's HDI methodology was used by the 1997 Philippine Human Development Report (PHDR) in computing provincial level HDI for the Philippines (HDN/UNDP 1997). As with the international computation, fixed minimum and maximum values are applied: life expectancy at birth—25 years and 85 years; adult literacy—0% and 100%; combined primary, secondary and tertiary enrolment ratios—0% and 100%; and real GDP per capita—P3,350 and P19,056 for the period 1991-94 (both expressed in 1985 prices).

For every province, an index each for life expectancy, literacy and income is computed according to the general formula:

$$I_i = \frac{\text{Actual } X_i - \text{Minimum } X_i}{\text{Maximum } X_i - \text{Minimum } X_i}$$

where the index I_i refers to the index for each of the three components. The HDI for a province is then obtained by taking the average of the three components:

$$HDI = (1/3) (I_1 + I_2 + I_3)$$

Capability poverty measure. The capability poverty measure (CPM) is another index composed of three indicators: the percentage of children under five who are underweight; the percentage of births unattended by trained health personnel; and, the percentage of women aged 15 years and above who are illiterate (UNDP 1996). These indicators reflect the percentage of the population with capability shortfalls in three corresponding dimensions of human development: living a healthy, well-nourished life; having the capability of safe and healthy reproduction; and being literate and knowledgeable.

UNDP (1996) asserts that indicators to measure deprivation in capabilities should directly reflect capability shortfalls. If unavailable, substitute indicators could be use, e.g., the availability of trained health personnel to attend births, access to health services, potable water and adequate sanitation. Nevertheless, indicators of actual access is better than those of potential access. For instance, rates of immunization or use of oral rehydration therapy are preferable to data on travel time to a primary health care center in monitoring the effectiveness of the public health system.

The CPM differs from the HDI in that it deals with people's lack of capabilities, not with the average level of capability in the country. The CPM is a more people-centered measure of poverty. It recognizes

that human deprivation occurs in a number of critical dimensions. Thus, it is multidimensional. Unlike income (which is the more conventional way of measuring poverty), capabilities are ends rather than means. They are not measured in terms of inputs but in terms of human development outcomes—in the quality of people's lives.

In a sense, the expansion of capabilities defines human development. However, the present formulation of the CPM is faulted by its critics precisely because of the exclusion of income in the index. They argue that the CPM should not ignore income in its formulation in the same manner that the HDI includes per capita GDP.

However, the 1996 Human Development Report argues that lack of opportunity signifies that access to the means to develop or maintain essential human capabilities is not being adequately provided. Thus, indicators of the availability of social services which are the direct means to ensure a decent standard of living would be of better use than proxy indicators or indirect measures like income as in the human development index.

The three variables used in the CPM are given equal weight in the composite index. This implies that each is a basic capability that cannot substitute for another that is lacking. Since the three are foundational capabilities, it is assumed that policy should not seek to trade one off against another. If flexibility in weights is desired, it has been suggested that respondents to surveys be asked to assign weights to each capability by allocating a fixed total.

Minimum basic needs. Reyes and Alba (1994) cite the difficulty in coming up with a single index of welfare status. They argue that the Under 5 Mortality Rate (U5MR) recommended by UNICEF may be the best available indicator of overall social development because of its broad coverage. However, they do recognize the need to consider several measures to gauge the conditions of the household or individual.

They note that it is important for policymakers to determine how sensitive the indicators are to changes in macro policies, i.e., the impact of macro policies on vulnerable groups. They contend that it

is essential to focus on indicators that are sensitive to policy changes, even if they measure only one facet of human welfare. The minimum basic needs (MBN) indicators are examples of such indicators.

The MBN indicators cover three important areas of concern: survival, security and enabling needs. Survival indicators include measures of health status (infant mortality rate, child mortality rate), nutrition status (prevalence of moderate and severe underweight, prevalence of acute and chronic malnutrition, prevalence of micronutrient deficiencies, income above the food threshold), and access to water and sanitation (proportion of households with sanitary toilet facilities, proportion of households with access to safe water supply). Security indicators include measures of income and security (income above the total poverty threshold, amount of household savings, employment or unemployment), shelter (proportion of households in makes hift houses), and peace and order (crime incidence, incidence of armed encounters). Lastly, enabling need indicators include measures of basic education and literacy outcomes (elementary enrolment, rate of completion, basic and functional literacy), and participation (membership in at least one area-based community organization, participation in formal electoral exercises).

APPROACH AND METHODOLOGY

Overall Framework

As a general approach, this study first developed a conceptual framework that helps define the key observable dimensions of governance. Next, it broke down each of these dimensions into their principal elements. In turn, a limited number of measurable indicators that are able to represent the more important character of each of these elements were delineated.

This study adapted the objective tree approach used by Gaffud (1997). Thus, the overall development goal of the LGU is defined in terms of improved performance in social/human development. Three strategic objectives are, then, deemed essential to the achievement of this overall goal (Figure 1): (1) optimized resource

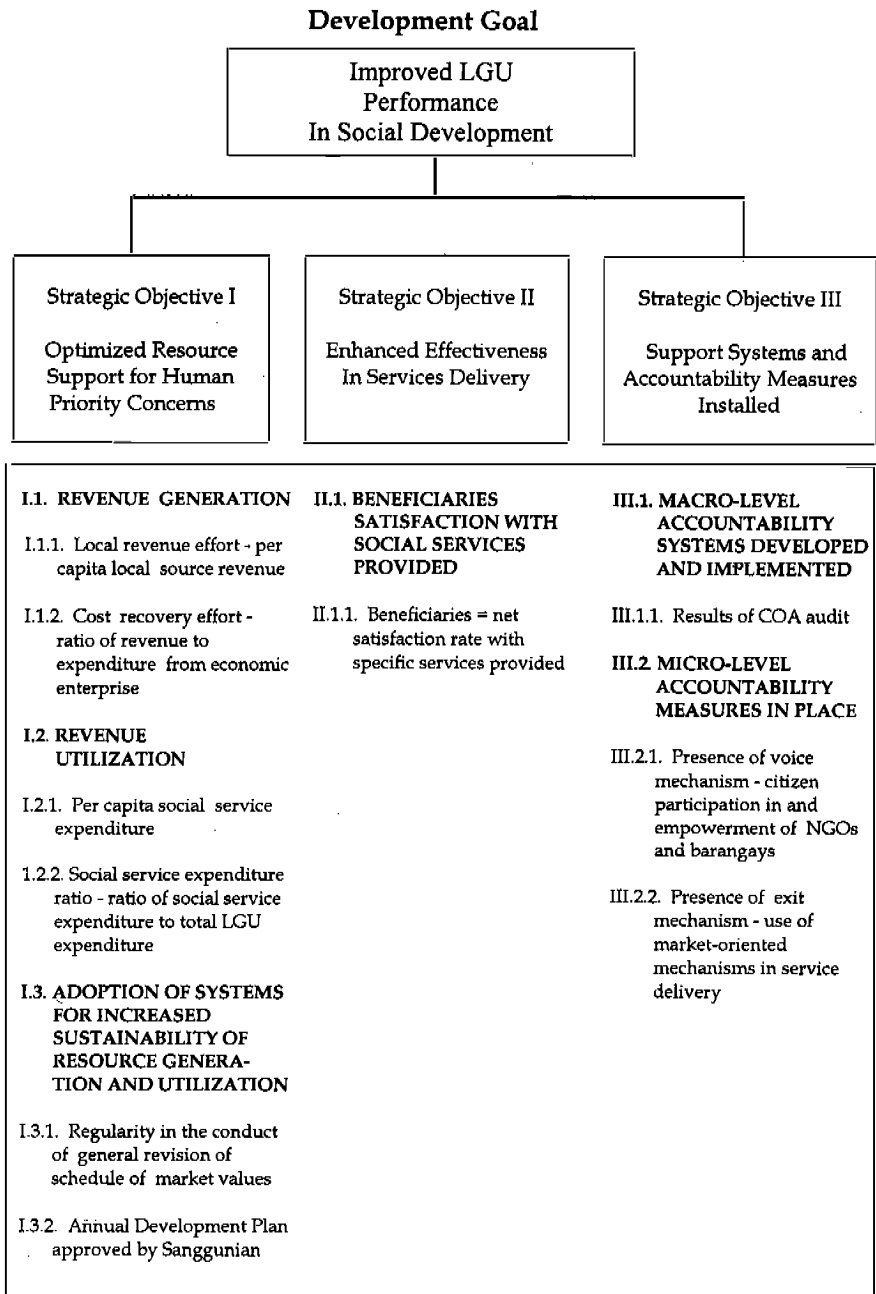


Figure 1. Objective tree for good governance indicators, version 1

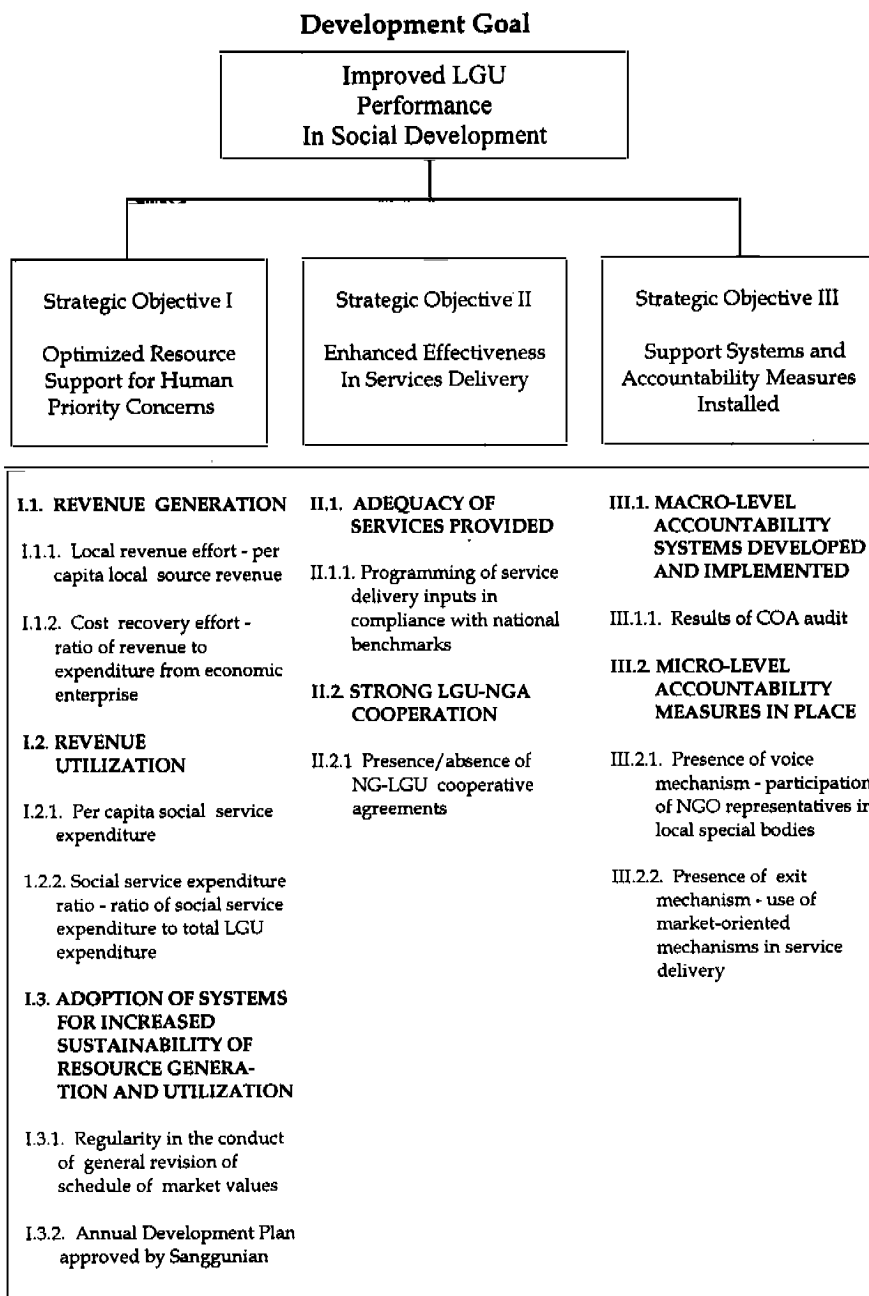


Figure 2. Objective tree for good governance indicators, version 2

support for human/social development concerns; (2) enhanced effectiveness/efficiency in social service delivery; and (3) accountability systems developed and installed.

In turn, each of these three strategic objectives is defined in terms of component elements or result packages (RPs). The “optimized resource support” objective is broken down into three RPs: revenue generation; revenue use; and, adoption of systems to sustain revenue generation and utilization. The “effectiveness/efficiency in social service delivery” objective is supported by one RP: beneficiaries satisfaction with social services delivered. The “accountability” objective is specified to include the following result packages: financial accountability systems developed and implemented; and micro-level accountability systems developed and implemented.

The conceptual basis for the choice of dimensions, the principal elements of each dimension and the performance indicators for each of these elements are presented in detail in the next section. This choice is largely driven by the governance concepts expounded in the section *Review of Literature*. It attempts to address the following questions: (1) Do these three dimensions of governance adequately capture LGU performance in attaining the overall development goal? (2) Do the different result packages satisfactorily support each of the strategic objectives they represent? (3) How well do the performance indicators/measures relate to each of the result packages? (4) How do the alternative performance indicators rank in terms of the different criteria set for choosing performance indicators?

Data and Measurement

Data gathering. Most of the indicators listed in Figure 1 can be measured based on LGU records, financial statements, other pertinent documents and key informant interviews with local government officials and NGO representatives. For instance, all the indicators belonging to Strategic Objective I are of this type. In measuring these indicators, existing LGU records in the pilot LGUs were checked and validated by interviews with key local officials.

However, some of the indicators in Figure 1 are based on experiential/attitudinal data that required the conduct of public opinion surveys (e.g., those relating to micro-level accountability). In this regard, the respondents to the opinion surveys were drawn from local residents using multistage (cluster) sampling. In the first stage, two barangays (one urban barangay and one rural barangay) were drawn randomly from the different barangays in each pilot LGU. Barangays were differentiated as to their urban character in order to capture differences in the usage/satisfaction of the residents for specified functions.

In the second stage, a sample of individual respondents was drawn in each of the selected barangays. Since a complete listing of the residents in these barangays was not easily available, randomness was assured by interviewing household heads in every other house lined up along the various thoroughfares in these barangays.

The coverage of the public opinion survey conducted in this study was sketchy because of time and resource constraints. On the average, some 50 respondents were interviewed for each pilot LGU. Admittedly, this number is not large enough to yield a decent margin of error but the surveys undertaken for purposes of this study were primarily done to pilot test the questionnaire and assess the feasibility of applying this approach in a more rigorous manner in future researches.

The questionnaire used for drawing out citizen's perception/satisfaction with service delivery and overall governance was patterned after the Social Weather Station (SWS) surveys (Appendix 1).

Criteria in selecting indicators. In the beginning, the number of measures included in the preliminary list of indicators was too large in number (and thus, too complicated) to be of much use to local chief executives, central government functionaries or local voters (Appendix 2). However, the list was trimmed down in the course of the study (during field testing and consultative workshops)

based on the following criteria:⁵ how specific, how quantifiable, how universal, how credible, how simple and acceptable the indicators are.

Specificity demands that the indicators provide information that are disaggregated enough across functions or levels of government to be meaningful to the various users of the indicator system proposed. This implies that the indicators cannot be the “one-size-fits-all” type. In contrast, universality implies that the indicators be standardized to fit all levels of government or functions.

For purposes of this study, quantifiability means the indicators can be measured in terms of either an ordinal/cardinal scale or binary mode.⁶ The latter includes, for example, indicators that relate to the presence/absence of certain modes of service provision or revenue generation.

On the other hand, credibility refers to the absence of known systematic built-in bias in the measurement of the indicators. Simplicity implies that the indicators are clearly consistent with the overall development goal as well as with the three strategic objectives.⁷ Lastly, acceptability implies that the indicators meet the approval of the various stakeholders. The acceptability of the indicators developed in this study was validated in workshops/consultations conducted in various regions across the country.

It should be pointed out that these criteria are not entirely compatible with one another. Some trade-offs between the different criteria are evident. This is particularly true with regard to specificity and universality.

Composite indices. A composite index was constructed for each of the strategic objectives. The composite indices thus derived were then consolidated into an overall governance index.

⁵These criteria are drawn largely from the works of Jackson and Palmer (1988) and Gaffud (1997).

⁶In this sense, even citizen’s perception are quantifiable.

⁷Simplicity is largely assured by the objective tree approach that is followed in this study.

Initially, equal weights were assigned to the different indicators (and different result packages). These weights were also validated during the subnational and national workshops/consultations conducted in the course of the study.

Pilot Testing. Given time and resource constraints, the measurement of the indicators presented in Figures 1 and 2, as well as the construction of the composite indices were pilot tested in three pre-selected LGU clusters. Each cluster consisted of three jurisdictions – one provincial government (PLGU), one city government (CLGU) and one municipal government (MLGU). The clusters were chosen on the basis of their provincial level HDI.

	Provincial LGU	City LGU	Municipal LGU
High HDI	Cavite	Trece Martirez	Novleta
Medium HDI	Davao del Norte	Davao	Mabini
Low HDI	Antique	San Jose*	Hamtic

* San Jose was not yet a city when the study was conducted but it is the most urbanized municipality in Antique.

CONSTRUCTION OF A GOVERNANCE INDEX

Choosing the Key Dimensions of Governance

As local governments make the painful passage to a decentralized setup, they will be under close scrutiny to improve their performance especially in human development. This is in keeping with the mandate of the Local Government Code to establish LGUs that are performance-based and characterized by greater managerial accountability for social or human development outcomes.

Synthesizing the various elements of good governance that emerge from the survey of literature, the present study started with the premise that good governance at the LGU level is primarily determined by how well LGUs perform in improving the quality of life of their constituents; that is, how efficient and effective LGUs are in bringing about social/human development.

LGUs not only provide goods and services. Before they can even start to do that, they must first mobilize and allocate resources. They also invest resources and negotiate contracts. All these activities impact strongly on final social outcomes. Thus, the way LGUs manage resources is extremely important. In this sense, local authorities need to govern on the basis of consistency and transparency of processes and broad-based community support.

A responsive regulatory framework is a necessary condition for good governance. It can expedite social development, if enforced consistently. Equally necessary is an external environment in which people are sufficiently aware and involved to demand better performance. This includes a built-in mechanism for listening to the community, forming partnerships with civil society and other levels of government, and accepting feedback from oversight agencies. If these conditions were met, LGUs would be in a good position to improve social results for a given amount of social spending. This should set off a virtuous circle in which each action makes the next one less difficult. However, to chart the progress of LGUs at each stage, there is a need for indicators that would assess how responsive and accountable decisions are at the local level.

Given this perspective, it is imperative that LGUs pursue the following three strategic objectives, if they are to attain the overall goal of achieving a higher level of human development in their areas of jurisdiction (Figure 1 and Figure 2):⁸

- (1) Optimized resource support for human priority concerns. This does not only mean raising and allocating money (even if budgeted for human development concerns). It also means diversifying revenue sources as well as providing the policy and legal framework to ensure a steady source of income that can be programmed for productive use.

⁸Admittedly, governance has other dimensions in addition to the three outlined above: legal framework for development including a sound judicial system, economic management, and egalitarian income distribution. However, it is deemed that these facets are less important for local governments as opposed to central governments.

- (2) Improved effectiveness and efficiency in social services delivery. LGUs need to make serious attempts to (a) observe standards and benchmarks for devolved social services; (b) increase the level of satisfaction of beneficiaries with the services delivered; (c) use nontraditional and innovative modes of service delivery; and (d) encourage private institutions to take an active part in social service delivery.
- (3) Responsive and transparent decisions. This requires the presence of a pro-active citizen feedback mechanism and strong intergovernmental relations to promote innovations in local resource management and social service provision. It also means that accounting and auditing procedures that promote restraint (to curb corruption and arbitrary action) and flexibility (to encourage new and better ways of doing things) are developed and implemented.

Choosing the Indicators

Strategic Objective I: Optimized Resource Support for Human Priority Concerns

The capacity of LGUs to provide social services is largely determined by their financial resources and their ability to manage such resources vis-à-vis competing demands. With devolution, LGUs are faced with greater expenditure responsibilities, particularly in the health and social welfare sectors. Thus, one of the major challenges they must deal with is how to mobilize additional revenues from local sources even with the higher IRA share mandated under the 1991 Local Government Code.

In this regard, LGUs must increasingly seek to diversify their revenue sources, particularly through the institution of cost recovery measures. That is, they have to look beyond traditional sources of revenue like the real property tax and local business taxes. Although higher local taxes are usually met with some resistance, experience

in other countries shows that citizens generally have a greater willingness to pay fees in exchange for benefits received or services rendered.

While increased financial support to the social service sectors is an advantage, it is not sufficient in ensuring improvement in the quality of life of local constituents. Just as important are effective and efficient service delivery mechanisms as well as strong accountability mechanisms. In addition to the actual generation and utilization of revenues, the achievement of Strategic Objective I also requires that systems and processes that will enhance the sustainability of these activities be put in place.

To sum up, the "optimized resource support" objective is broken down into three result packages: *revenue generation; resource utilization; and adoption of systems and processes for increased sustainability of revenue generation and utilization efforts.*

Revenue Generation

Two performance indicators are proposed for revenue generation: *local revenue effort* and *cost recovery in key economic enterprises or relevant service sector of the LGU.*

Local revenue effort may be measured in numerous ways. Among others, efficient collection of real property tax, ratio of real property tax to total LGU income, ratio of local business taxes to total LGU income, and ratio of the IRA to total LGU income (Gaffud 1997).

These measures, however, share a number of common weaknesses. Most of these indicators, if used singly, tend to favor certain types of LGUs. For instance, the ratio of local business taxes to total LGU income would tend to rate more urbanized LGUs favorably since these LGUs are generally able to raise more revenues from local business taxes (compared with rural LGUs) because of the bigger share of transactions with industrial/commercial character in these LGUs.

Moreover, these indicators, if taken individually, provide a limited and incomplete view of LGU revenue generation effort. On

the other hand, if they are used in conjunction with one another, the indicator system will get too complicated.

Hence, this study recommends the use of *per capita local source revenue* to measure local revenue effort. In principle, revenue effort is measured by comparing actual revenues with the revenue base. Due to the absence of more relevant data on the local revenue base, it is proxied in this study by population.

Cost recovery in key economic enterprises or service sector is measured as the ratio of actual revenues from a specified economic enterprise to the actual expenditures on the said enterprise. For cities and municipalities, the key economic enterprise considered is the public market. Since provincial governments do not operate economic enterprises, cost recovery is defined in terms of the operations of public hospitals given that these facilities are the most important cost center in provincial government units.

Resource Utilization

The "resource utilization" result package is measured by two performance indicators: *per capita social service expenditures* and *the ratio of LGU expenditures on social services to total LGU expenditures*.

Actual LGU support to the attainment of human development concerns is best measured by *per capita LGU expenditures on the social sectors*. However, this indicator may have some bias in favor of LGUs which have high per capita internal revenue allotment (IRA). That is, it is possible that some LGUs have low per capita social service expenditures, not for lack of commitment to the human development goal but due to lack of resources as a result of the amount of IRA allotted to them. In view of this fact, this study includes the LGU social service expenditure ratio as one of the performance indicators for resource utilization, so that greater LGU effort is given equal importance. In other words, the LGU social expenditure ratio may be viewed as a measure of "effort" on the part of LGUs given their capacities, while per capita social spending may be understood as a measure of the "adequacy of effort" in meeting absolute needs.

Adoption of System for Revenue Generation and Utilization

The result package for “adoption of systems for revenue generation and utilization” may be measured in terms of the following performance indicators: *regularity in the conduct of the general revision of the schedule of market values and the approval of the Annual Development Plan by the Local Sanggunian.*

Strategic Objective II. Effectiveness/Efficiency in Social Service Delivery

In general, service delivery at the local level is still perceived primarily as a function of government. Despite the devolution of services that calls for the heightened participation of the private sector and civil society, government continues to be the main provider of services and facilities. Given this condition, good local governance may be manifested through enhanced effectiveness and efficiency in the delivery of social services.

While Strategic Objective I aims to ensure that adequate financial resources flow into social service sectors, Strategic Objective II helps ensure that LGUs use these financial resources wisely. For an LGU, the task at hand is to maximize program impact for each peso spent.

In principle, effectiveness/efficiency in the delivery of social services is best measured by outcome indicators like the human development index (HDI) itself. However, social outcomes (like life expectancy or literacy) are the result not only of LGU actions but also of central government actions making attribution truly problematic. This point assumes greater importance in cases like the Philippines where social services are typically delivered along two parallel tracks (an LGU track and a central government track) or where central government agencies and LGUs provide complementary inputs. It should be stressed that since the primary concern in this study is the measurement of good governance at the LGU level, it is essential that the indicators chosen are those that pertain to LGU performance only.

Given these considerations, LGU effectiveness/efficiency in service delivery may be gauged by using any one of the following

approaches: (1) use of efficiency measures; (2) use of measures of client satisfaction, and (3) use of effectiveness measures.

Efficiency Measures

Efficiency indicators usually involve the computation of output-input efficiency ratios where output is typically measured in terms of workload units a la Hatry et. al. (1992). However, there are two difficulties in implementing this approach.

One, as already noted, public sector output is not easy to define. Two, administrative data relating to LGU output in service delivery are not uniformly available at the local level.

In the pilot tests, an attempt was made to simplify the exercise by defining output in terms of number of beneficiaries/clients served by type of service (health, social welfare, day care centers). It was found that not all LGUs gather and record this kind of information. For instance, data on number of clients served per type of social service were not easily accessible in Trece Martirez City, Davao City, Antique Province, and Davao del Norte Province. Moreover, for LGUs that do maintain records, there is a great deal of unevenness in the coverage of beneficiary/client information that LGUs monitor. This is particularly true for health services which range from prenatal care, to medical attendance in child birth, to post natal care, to immunization, to micronutrient supplementation, and the like which are at times delivered to the same individual at the same time. Because of these difficulties, this study opted not to use efficiency measures of LGU service delivery.

Beneficiaries' Satisfaction Rate

Undoubtedly, measuring the extent of beneficiaries' satisfaction with specified social services provided by LGUs is one of the more accurate ways to assess the effectiveness of LGU performance in service delivery. The present study pilot tested this approach using a questionnaire developed for the purpose (Appendix 1). Specifically, residents (household heads) were asked about their awareness of, utilization of, and satisfaction with: hospital services

provided by the provincial government; disaster management and social welfare services given to street children and abused/battered women provided by the provincial government; health services provided by the rural health units and barangay health stations of city/municipal governments; and services of daycare centers operated by city/municipal governments. Residents were also asked about their satisfaction/dissatisfaction with overall management by the local government. The cost of gathering data using attitudinal/perception surveys is considerably higher compared with other approaches which make use of administrative data.

Service Adequacy

To address this problem, Strategic Objective II may alternatively be measured by evaluating the effectiveness of basic social services delivered using data from administrative reports (Figure 2). As such, it may be broken down into two result packages. One, effectiveness in service delivery may be measured in terms of the *adequacy of services provided*. Two, LGU performance in service delivery may also be gauged by *the presence of systems which allow LGUs to access increased resources* through stronger linkages with central government agencies. On the one hand, service adequacy may be measured by the extent to which LGUs have been able to comply with standards/benchmarks in the programming of service delivery inputs for social services. In general, such standards may be set in terms of the ratio of the number of target clientele (or LGU population) to the number of government personnel. In particular, this study compared the actual population-to-doctor ratio with the national benchmark of 20,000 population per government physician; the actual population-to-nurse ratio with the national benchmark of 20,000 per government nurse; the actual population-to-midwife ratio with the national benchmark of 5,000 population per government midwife; and the actual number of children aged 3-5 per day care worker with national standard of 150 children per government day care worker.

On the other hand, a strong vertical linkage with central government agencies may be indicated by the presence of agreements for central-local cooperation in service delivery.⁹ These agreements are mostly in the form of cost-sharing schemes that address the following weaknesses: limited LGU tax base, inappropriate expenditure and tax assignments, the collapse of common standards (e.g., in health), inefficiencies arising from interjurisdictional spillovers, economic instability, and regional variations in net fiscal benefits.

Strong linkages with central government agencies can help reduce fiscal imbalances and, in the process, can release more resources for increased local effort in social development. Central-local coordination is also needed to avoid piecemeal approaches and minimize regional and local differences in the quality of services (e.g., education, health). Since many social services are public goods (the benefits of which are largely nonexcludable), local governments hardly have any incentive to increase their social budgets.

Matching grants and cost-sharing schemes between various levels of government are, thus, crucial in influencing local priorities in sectors of high national but low local priority (e.g., public health, environment). Sound intergovernmental mechanisms, if in place, can help enhance the availability and accessibility of social services at the LGU level.

International donors are implicitly included in this index. Note that the central government always has to step in as guarantor and project manager of donor-funded undertakings, even if the donor

⁹ Because the measurement of this indicator is limited to a presence/absence tally (i.e., an LGU is given a score of 1 if it has entered into any LGU-NGA arrangement and a score of 0 otherwise), it does not capture the size, diversity, quality nor the extent of progress in collaboration. For instance, Cavite's cost share in its Comprehensive Health Care Agreement with DOH has been declining and the question is whether it still merits a score of 1. Size and diversity is another contentious problem: is a water supply project equivalent to a daycare center project? A good alternative would be an index wherein local residents are presented with a list of programs and asked to indicate their priorities and see how the LGU-NGA collaborative agreements are congruent with these priorities. But that is another story.

has specifically targeted an LGU as loan or grant beneficiary. This stems from the lack of sovereign character of LGUs, making them ineligible to negotiate loans directly with bilateral or multilateral agencies.

In sum, two alternative ways of delineating the result package/s for Strategic Objective II are suggested. The first one makes use of public opinion surveys and defines Strategic Objective II in terms of the *beneficiaries' net satisfaction with specified social services delivered by LGUs* (Figure 1).

In contrast, the second one makes use of administrative data and defines Strategic Objective II in terms of (1) *the adequacy of services provided* and (2) *the presence of a strong vertical linkage with national government agencies* (Figure 2).

Strategic Objective III. Accountability

Following the framework on accountability provided by the World Bank (1992) and Paul (1991), this study breaks down overall accountability into *macro-level accountability* and *micro-level accountability*.

Macro-level accountability

There is no such thing as an invisible hand in local governance. Institutional checks and balances are required to optimize the range of opportunities open to local businesses, NGOs, and the LGUs themselves.

On one side of the equation is the need for restraint. LGUs must have the capacity to enforce rules and regulations that govern both market and civil society transactions. Such rules prevent the abuse of power, keep LGUs honest by reducing transactions costs, establish credible controls over the LGUs' use of inputs, and hold local managers accountable for the attainment of measurable outcomes. As such, macro-level accountability relies on formal instruments of constraints, which are anchored in key institutions, like accounting and auditing. Disclosure requirements add to the transparency process.

On the other side of the equation is the need for flexibility. It may be that auditing standards are outdated and put too much restraint on discretionary authority. Or, oversight from central agencies – such as the Commission on Audit (COA) – may rely too much on rule-based compliance at the expense of the ability to be flexible. Sometimes, innovations that lead to high-quality service at less cost to citizens may come at the expense of COA violations.

While there is a need to reduce opportunities for corruption, dysfunctional rules that impede the wise exercise of discretionary authority may actually backfire. A continuing challenge is to set rules that allow LGUs to utilize a toolkit of innovative and flexible measures, but embed their decisionmaking in processes that allow for auditing and oversight from the community and from central agencies.

Having said this, however, it still remains that the presence of a strong external audit system system is critical in ensuring macro-level accountability. For purposes of this study, financial accountability is indicated by the results of the financial and compliance audit of LGU accounts and operations by the COA.¹⁰

Initially, it was thought that the summary result of the COA audit (which indicates whether the auditor assigned to the LGU rendered a favorable, adverse qualified or no opinion as to the fairness of LGU accounts) might be used to reflect LGU performance relative to the external audit. However, a closer scrutiny of the COA audit reports for the pilot LGUs revealed that there are inconsistencies among the auditors' over-all evaluation and their significant findings and recommendations. Thus, what one auditor would rate as fair, another auditor would just as likely grade unfavorably.

The inconsistencies refer not only to the presence/absence of documentary evidence but also to the magnitude of exposure to

¹⁰ The focus of the financial and compliance audit is on the validity and the propriety of transactions and fairness of accounts presentation.

“inappropriate transactions.” For instance, the auditor of Hamtic, Antique rendered a favorable opinion on the financial statements of the municipality for 1996 despite the absence of a year-end trial balance and physical inventory of assets. In contrast, the auditor of Noveleta, Cavite rendered a qualified opinion on the fairness of the financial statements presented due to lack of physical inventory of its properties even if the said LGU submitted a year-end trial balance.

Similarly, the auditor of Davao Oriental rendered a qualified opinion on the LGU’s financial statements since the province had disallowances amounting to P1.65 million and unliquidated cash advances amounting to P0.9 million. On the other hand, the auditor of Antique gave an adverse opinion on the LGU’s financial statements because of unliquidated cash advances amounting to P3.4 million even though the LGU had no disallowances. Given these considerations, this study proposes to measure audit accountability *by comparing the magnitude of current year’s disallowances with LGU total income.*

Micro-level accountability

Paul (1991) posited that micro-level accountability results from (1) the ability and willingness of the public to use “voice,” i.e., to exert pressure on service providers to perform well, and (2) the ability and willingness of the public to “exit” in favor of alternative suppliers when dissatisfied with a public service.

Participatory mechanisms allow local governments to get a wide consensus on local issues and the necessary commitment to intervene quickly and flexibly. They also permit those outside the local government to restrain its actions while making the LGU more responsive to people’s needs and preferences. For local managers, the central challenge is finding ways to combine technical expertise with political legitimacy, which requires making decisions with deep regard for community concerns.

Yet, even if the LGU has the people’s interest at heart, it is unlikely to understand what the people’s needs are in the absence of a functioning feedback mechanism. If the LGU is not equipped

to listen, it will not be responsive to the diffused interests of the community, especially those of the minorities (urban poor, farmers, fisherfolk, indigenous cultural communities and women) who usually do not have a strong voice to articulate their demands. Consultative processes offer civil society opportunities to provide inputs, and to take the burden off the LGU by involving communities in the oversight functions. True, getting feedback tends to slow down decisionmaking, but the lack of it can be destabilizing as it decreases trust and confidence in the local government and weakens its ability to gain broad agreements on expenditure priorities, social development programs, and environmental management.

There are two alternative ways to measure the extent of citizen participation in LGU affairs. One way is through the *use of experiential surveys* whereby residents are asked about their participation in NGOs and barangay affairs; and their perception of NGO/barangay influence in LGU affairs. The other way is by *evaluating the extent of participation of NGO or private sector representatives in local special bodies through the use of administrative data*. Both of these alternatives were considered in this study.

In the first instance, perception measures were constructed. Samples of citizens were asked the extent to which they participated in NGOs and barangays, or the extent to which they (through the barangays or NGOs) are able to influence local decisionmaking (Appendix 1). The choice of NGOs and barangays is not accidental. NGOs are civil society structures that interface with LGUs on a diversity of issues. Barangays are the lowest-level governmental structures under the jurisdiction of municipal-/city-level local governments. It is through the barangays that citizens are able to make direct contact with their local governments. NGOs and barangays are, thus, the key links that could ensure that LGUs arrive at accountable decisions in a transparent manner.

Citizens' participation and citizens' empowerment indices are complementary indices. Participation alone does not guarantee political efficacy. A weak civil society, and a barangay system quite

beholden to local authorities only transform participation into co-optation. To gauge whether barangays and NGOs act as political pressure groups, the extent of their influence over LGU affairs must also be taken into consideration.

Together, participation and empowerment would adequately portray the effectiveness of citizen oversight. These two sets of indicators provide crucial feedback to guide government response to the demand and complaints of its clients. In this sense, NGOs and barangays help to hold LGUs fully accountable to the public they serve.

In the second instance, the extent of citizen participation in LGU affairs may be measured by comparing the actual number of NGOs represented in the various local special bodies (namely: the Local Development Council, the Local Health Board, the Local School Board, and the Pre-qualification Bids and Awards Committee) with the number prescribed under the Local Government Code. While this set of indicators is relatively easy to measure, it may yield ambiguous indicators of participation to the extent that NGOs may have been captured by political leaders and/or government bureaucrats.

Exit mechanisms are just as important as voice mechanisms in ensuring micro-level accountability. Exit mechanisms are those that promote a more competitive environment in service delivery. In this study, the presence of exit mechanisms in LGU delivery of social services is indicated by the presence of any one of the following innovative service delivery mechanisms at the LGU level: management contract, BOT, engagement of NGO/PO in service delivery. Defined as such, this indicator does not explicitly consider the relative significance of innovative social service delivery mechanisms that are in place or the quality of the service involved.

To summarize, Strategic Objective III is supported by two result packages: macroeconomic accountability and micro-level accountability. Macro-level accountability is measured by *the relative size of COA disallowances*. On the other hand, micro-level accountability is defined in terms of the presence of voice and exit

mechanisms. The presence of exit mechanisms is indicated by *the use of any one of various market-oriented/innovative mechanisms in service delivery in the LGU*. On the other hand, the presence of voice mechanisms is measured by two alternative indicators. The first one makes use of public opinion surveys and refers to (1) *citizens' participation in NGOs and barangays* and (2) *citizens' perceptions of the empowerment of NGOs and barangays* (Figure 1). The second one makes use of administrative data and refers to *the participation of NGO representative in local special bodies* (Figure 2).

Quantification and Measurement

Overall, the performance indicators chosen are broad enough to be adaptable in most local settings. The tradeoff is loss of specificity, since LGUs differ markedly in terms of both their institutional capabilities and their structures. As a whole, the indices may not be able to reflect these differences. However, some of the indicators may be able to capture specific functions that are unique to a particular level of government. For instance, the net satisfaction rate for health services is defined with reference to hospital services in the case of provincial governments and with reference to primary health services delivered by rural health units (RHUs) and barangay health stations (BHSs) in the case of city/municipal governments.

The indicators are straightforward and user-friendly (understandable to users). They, also, readily yield to measurement. This is particularly true of the indicators presented in Figure 2. The indicators are not intensive in their requirements for information and can be easily monitored.

It is not expensive to set the system. When perception surveys are used, the cost of data collection, although much higher, is still reasonable. Multistage sampling provides a way to cut cost.

Before constructing the overall governance index as well as the composite indices for each of the three Strategic Objectives, the indices of each of the performance indicators were first modified in two ways. One, all indices were defined in such a way that higher numbers represent better governance. Two, all indices were re-

scaled such that they all range from 0 to 1. For the revenue effort index, the cost recovery index, per capita social service expenditure index, and social service expenditure ratio, the re-scaling was achieved by dividing the actual figures by twice the relevant national average. This implies that when an LGU's performance is equal to the national average, it gets a score of 0.5. To illustrate, local revenue effort index is defined as:

$$loc\ rev\ eff\ index_i = \min \left(1, \frac{total\ loc\ rev_i / popn_i}{2 * natl\ ave\ per\ pax\ loc\ rev} \right)$$

where total loc rev_i refers to total local source revenue of LGU *i*;
 popn_i refers to population of LGU *i*;
 natl ave per pax loc rev refers to the national average per capita local source revenue.

On the other hand, the index for the adequacy of service inputs is defined as:

$$serv\ inp\ adeq\ index_i = \min \left(1, \frac{natl\ stnd}{(no\ trgt\ clnt_i) / (act\ no\ persnl_i)} \right)$$

where natl stnd refers to the national benchmark;
 no trgt clnt_i refers to the actual number of target clientele in LGU *i*;
 act no persnl_i refers to the actual number of relevant personnel in LGU *i*.

$$COA\ audit\ index_i = 1 - \left(\frac{amt\ disallow_i}{tot\ expd_i} \right)$$

Similarly, the COA audit index is defined as:
if $\text{amt disallow}_i < \text{tot expd}_i$ and

$$\text{COA audit index}_i = 1$$

if $\text{amt disallow}_i > \text{tot expd}_i$ and
where tot expd_i refers to total expenditure of LGU i in the current year;
 amt disallow_i refers to amount of current year disallowances of LGU i .

Also, the NGO participation index is defined as:

$$\text{NGO part index}_i = \min \left(1, \frac{\text{act no NGO rep}_i}{\text{prescr no}_i} \right)$$

where act no NGO rep_i refers to actual number of NGO representative in specified local special body of LGU i ;
 prescr no_i refers to prescribed number of NGO representative in specified local special body of LGU i .

The formulas for each of the indices are summarized in Appendix 3.

The overall governance quality index (GQI) constructed for this study was derived by consolidating (1) the composite indices for each of the three Strategic Objectives and (2) the composite indices for each of the Result Packages. The overall governance quality index as well as the composite indices for the Strategic Objectives and the Result Packages were aggregated by assigning equal weights for each of their respective components. "Equal weighting means that potential biases or errors do not unduly influence the composite index" (Huther and Shah 1998).

Results of Pilot Tests

Two sets of indices were computed for the nine pilot LGUs. The first set made use of a combination of administrative data and information from public opinion surveys following the framework provided in Figure 1 (Table 1). In contrast, the second set relied exclusively on administrative data following the framework outlined in Figure 2 (Table 2).

In principle, version 1 of the indices provides a more accurate measure of the various performance indicators since good governance is dependent on beneficiaries' satisfaction with LGU services and their perception of how well they are able to influence LGU policies and actions. However, the data requirements for version 2 indices are relatively more accessible and, therefore, cheaper to collect.¹¹

On the whole, the ranking of the governance quality index derived in this study appears to be consistent with the ranking of the HDI. LGUs which register higher HDIs tend to perform better, too, in terms of the overall governance index. This is particularly true at the provincial level (Figure 3).¹² The same finding holds whether one is looking at version 1 or version 2 of the GQI. The rankings of the LGUs remain the same, although version 2 of the GQI tends to be higher compared with version 1 (Figure 4).

At the same time, the beneficiaries' net satisfaction rate with social services (SOII1) is largely consistent with the social service delivery effectiveness index when it is measured using administrative data (SOII2) which is a composite of service input adequacy and LGU-NGA cooperation index. The fit is not perfect but the relationship between the alternative performance indicators for Strategic Objective II appears to be fairly strong (Figure 5).

¹¹ It is estimated that at least P30 million is needed for a fairly credible public opinion survey (with 400 respondent per LGU) if the governance index is to be measured for all provinces and cities. On the other hand, the cost of the version 2 index for the same coverage is in the P1-2 million range only.

¹² Note that the HDI estimates are available at the provincial level only.

In contrast, the beneficiaries' participation in NGOs/barangays and their perception of the empowerment of NGOs/barangays do not correlate well with NGO representation in local special bodies (Figure 6). Moreover, there is very little variability in version 2 of the participation index compared with its counterpart in version 1. Note that version 2 of the participation index tends to cluster in the 0.95-1.0 range regardless of level of government. These findings lend some credence to anecdotal evidence that the spirit of NGO participation in local special bodies has not been upheld in many instances. In essence, it appears that version 2 of the participation index is not able to adequately capture the quality of citizens' participation although it is able to provide some indication of its quantity.

INSTITUTIONALIZATION ISSUES

Indicators of good governance serve as an important yardstick in evaluating the performance of governments, in general, and LGUs, in particular, as they pursue the goals of sustainable human development. They form part of the development framework for charting the progress of the government's human development efforts at the local level, taking into consideration the limitations facing LGUs as well as the opportunities available to them.

Through these indicators, LGU performance can be reviewed and compared with one another in any given time period to identify both problem areas and best practice. The performance measures may also be compared with performance targets or standards. At the same time, the performance of a specific LGU or group of LGUs may likewise be compared from period-to-period to track progress and, possibly, establish trends. Implicit in this statement is the need to have periodic measurement of progress towards the attainment of explicit objectives and goals.

The indicators of good governance proposed in this study can be used in a variety of ways. In very broad terms, indicators of good governance may be used to clarify LGU goals and objectives. The measurement of these indicators may focus greater attention in

Table 1. Governance Index, Version 1

	Cavite Province	Antique Province	DavaoN rte Province	13 Martirez City	Davao City	Novelata Cavite	San Jose Antique	Hamtic Antique	Mabini Davao N rte
GOVERNANCE INDEX – GGI	0.618	0.688	0.602	0.671	0.732	0.735	0.605	0.619	0.632
I. Optimized Resource Support Index – SOI	0.688	0.519	0.587	0.838	0.352	0.578	0.509	0.393	0.407
I.1. Revenue Generation Index	0.491	0.362	0.489	0.815	0.347	0.825	0.553	0.195	0.233
I.1.1. Local Revenue Effort Index	0.889	0.353	0.607	0.722	0.263	0.648	0.562	0.149	0.445
I.1.1. Cost Recovery Index	0.093	0.371	0.371	0.909	0.431	1.000	0.544	0.240	0.021
I.2. Resource Utilization Index	0.573	0.696	0.273	0.698	0.208	0.410	0.475	0.483	0.487
I.2.1. Social Service Expenditure Index	0.545	0.745	0.259	1.000	0.200	0.373	0.413	0.408	0.482
I.2.2. Social Service Expenditure Ratio Index	0.601	0.646	0.286	0.396	0.216	0.447	0.536	0.559	0.492
I.3. Sustainable Resource Generation/Utilization Index	1.000	0.500	1.000	1.000	0.500	0.500	0.500	0.500	0.500
I.3.1. Regularity of Conduct of General Revision Index	1.000	0.000	1.000	1.000	0.000				
I.3.2. Presence of Annual Development Plan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
II. Effectiveness/Efficiency in Social Service Delivery Index – SOII	0.595	0.315	0.565	0.880	0.920	0.890	0.645	0.570	0.535
II.1. Beneficiaries' Net Satisfaction Rate with Specified Social Service	0.595	0.315	0.565	0.880	0.920	0.890	0.645	0.570	0.535
II.1.1. Net Satisfaction Rate with Hospital Service	0.400	-0.030	0.490						
II.1.2. Net Satisfaction Rate with Disaster Management/Other Social Welfare Service	0.790	0.660	0.640						
II.1.3. Net Satisfaction Rate with RHU/BHS				0.850	0.960	0.820	0.640	0.330	0.570
II.1.4. Net Satisfaction Rate with Daycare Center				0.910	0.880	0.960	0.650	0.610	0.500
III. Overall Accountability Index – SOIII	0.873	0.921	0.660	0.650	0.879	0.820	0.926	0.666	0.659
III.1. Macro-level Accountability Index	1.000	1.000	1.000	0.991	0.963	1.000	1.000	1.000	0.991
III.2. Micro-level Accountability Index	0.745	0.841	0.321	0.310	0.794	0.640	0.853	0.331	0.326
III.2.1. Voice Index	0.490	0.683	0.643	0.620	0.588	0.280	0.705	0.663	0.653
III.2.1.a. Citizens's Participation Index	0.490	0.665	0.650	0.620	0.345	0.280	0.630	0.700	0.700
III.2.1.a.i. Citizens' Participation Rate in NGOs	0.490	0.420	0.520	0.620	0.120	0.280	0.390	0.450	0.620
III.2.1.b.ii. Citizens' Participation Rate in Barangays	0.490	0.910	0.780	0.620	0.570	0.280	0.870	0.950	0.780
III.2.1.b. Citizens' Empowerment Index	0.490	0.700	0.635	0.620	0.830	0.280	0.780	0.625	0.605
III.2.1.a.i. Citizens' Perception of Empowerment of NGOs	0.490	0.590	0.660	0.620	0.830	0.280	0.710	0.480	0.650
III.2.1.b.ii. Citizens' Perception of Empowerment of Barangays	0.490	0.810	0.610	0.620	0.830	0.280	0.850	0.770	0.560
III.2.2. Exit Index	1.000	1.000	0.000	0.000	1.000	1.000	1.000	0.000	0.000

Table 2. Governance Index, Version 2

	Cavite Province	Antique Province	DavaoNorte Province	13 Martine: City	Davao City	Novateleta Cavite	San Jose Antique	Hamtic Antique	Mabini Davao Nrte
I. Optimized Resource Support Index – SOI2	0.688	0.519	0.587	0.838	0.352	0.745	0.676	0.859	0.873
I.1. Revenue Generation Index	0.491	0.362	0.489	0.815	0.347	0.825	0.553	0.195	0.233
I.1.1. Local Revenue Effort Index	0.889	0.353	0.607	0.722	0.263	0.649	0.562	0.149	0.445
I.1.1. Cost Recovery Index	0.093	0.371	0.371	0.909	0.431	1.000	0.544	0.240	0.021
I.2. Resource Utilization Index	0.573	0.696	0.273	0.698	0.208	0.410	0.475	0.483	0.487
I.2.1. Social Service Expenditure Index	0.545	0.745	0.259	1.000	0.200	0.373	0.413	0.408	0.482
I.2.2. Social Service Expenditure Ratio Index	0.601	0.646	0.286	0.396	0.216	0.447	0.536	0.559	0.492
I.3. Sustainable Resource Generation/Utilization Index	1.000	0.500	1.000	1.000	0.500	1.000	1.000	1.000	1.000
I.3.1. Regularity of Conduct of General Revision Index	1.000	0.000	1.000	1.000	0.000				
I.3.2. Presence of Annual Development Plan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
II. Effectiveness/Efficiency in Social Service Delivery Index – SOI2	0.793	0.500	0.930	1.000	0.746	0.888	0.884	0.943	0.882
II.1. Adequacy of Service Inputs Index	0.566	1.000	0.860	1.000	0.490	0.772	0.728	0.887	0.725
II.1.1. Population to Doctor Ratio	0.350	1.000	0.719	1.000	0.327	0.694	0.456	0.548	0.653
II.1.2. Population to Nurse Ratio	0.782	1.000	1.000	1.000	0.693	0.694	0.456	1.000	0.653
II.1.3. Population to Midwife Ratio				1.000	0.284	1.000	1.000	1.000	0.980
II.1.4. Children Aged 3-5 to Daycare Worker Ratio				1.000	0.658	0.701	1.000	1.000	0.612
II.2. LGU-NGA Cooperation Index	1.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
III. Overall Accountability Index – SOI2	1.000	0.993	0.750	0.733	0.982	0.980	0.990	0.750	0.738
III.1. Macro-level Accountability Index	1.000	1.000	1.000	0.991	0.963	1.000	1.000	1.000	0.991
III.2. Micro-level Accountability Index	1.000	0.985	0.500	0.475	1.000	0.960	0.980	0.500	0.485
III.2.1. Voice Index	1.000	0.970	1.000	0.950	1.000	0.920	0.960	1.000	0.970
III.2.1.a. NGO representation in Local Development Council	1.000	0.880	1.000	0.800	1.000	0.680	0.840	1.000	0.880
III.2.1.b. NGO representation in Local Health Board	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
III.2.1.c. NGO representation in Local School Board	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
III.2.1.d. NGO representation in PBAC	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
III.2.2. Exit Index	1.000	1.000	0.000	0.000	1.000	1.000	1.000	0.000	0.000

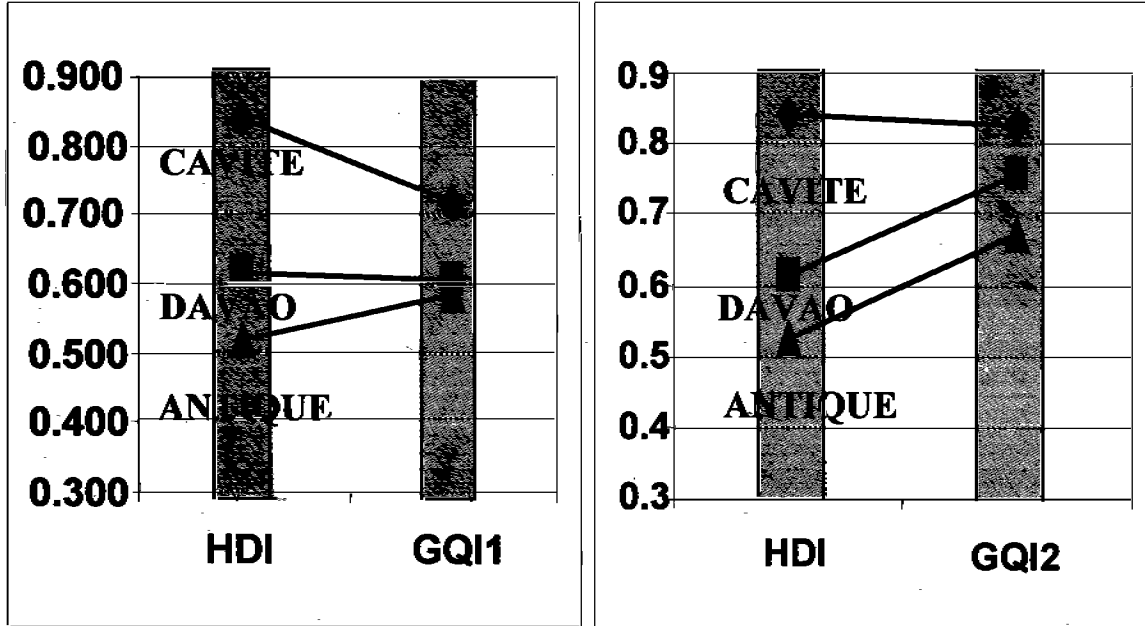


Figure 3. Governance quality index and HDI

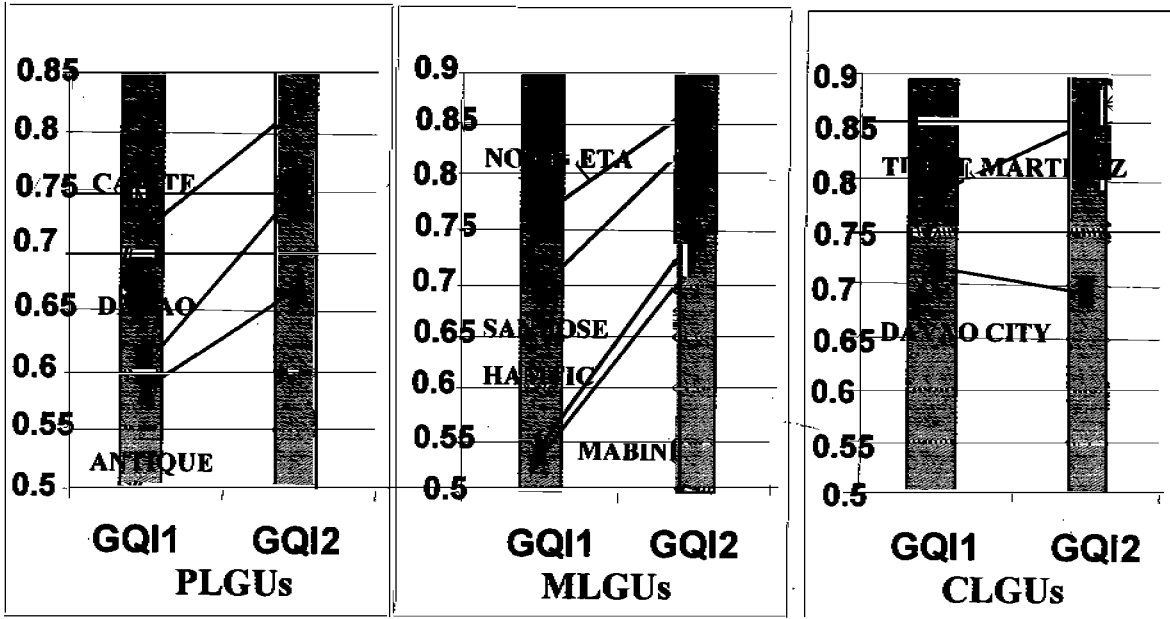


Figure 4. Comparison of GQI1 and GQI2

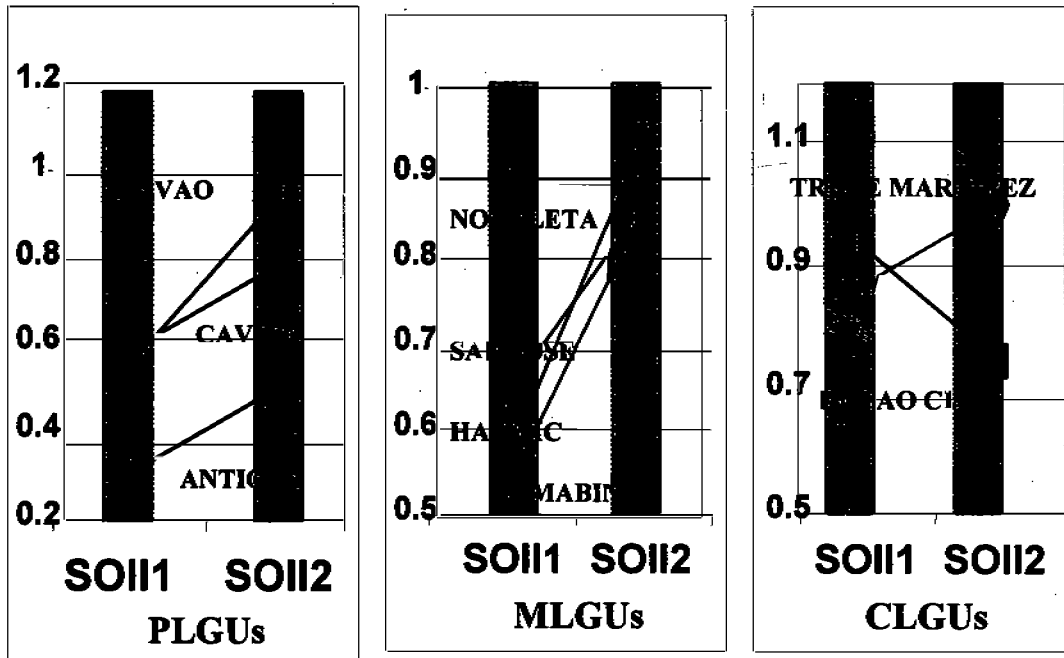


Figure 5. Comparison of SOI1 and SOI2

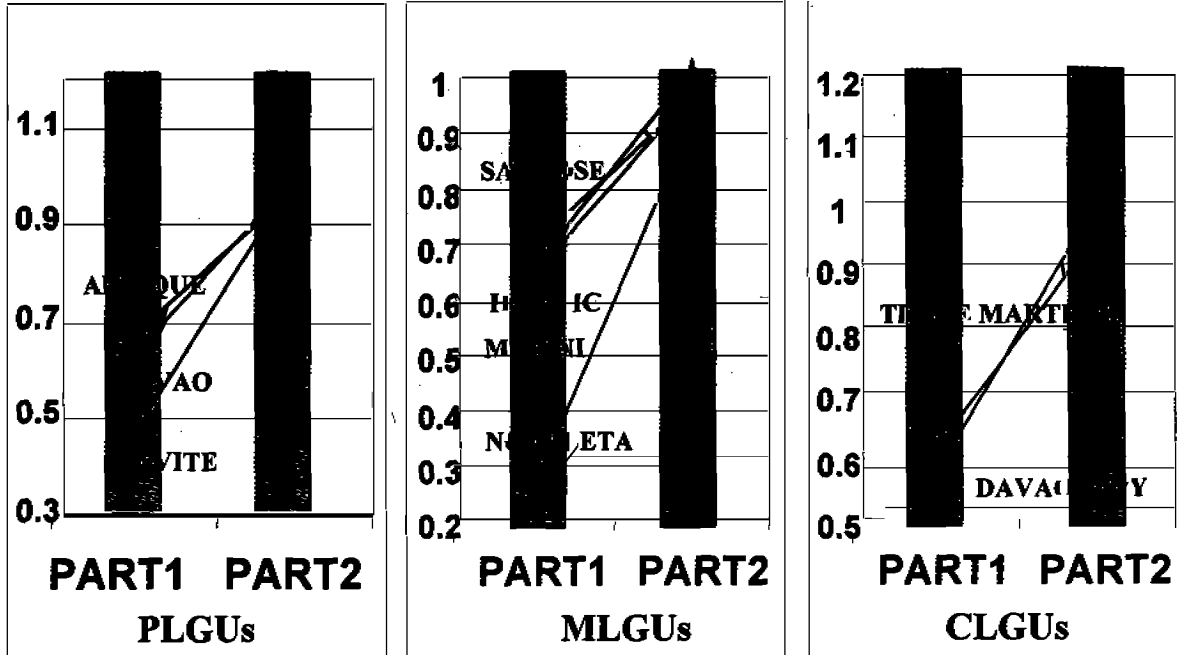


Figure 6. Comparison of PART I1 and PART I2

specifying the critical components of good governance (Cook et al. 1993). They can be used to guide the local budget process, to improve service delivery (either in terms of modes of delivery or in terms of functions), to enhance accountability by easing access to information on the part of local communities, to “introduce the discipline of relevant benchmarking,” and to improve the morale of LGU officials and personnel.

LGU governance indicators will be helpful to LGU officials themselves to the extent that the indicators can be used to call attention to potential implementation problems as well as the need for new policy directions. These indicators will also be valuable to the national government agencies in providing information that will enable them to better target their technical assistance activities in terms of both content and target clientele.¹³ More importantly, performance indicators will be useful to civil society by providing information that may better guide collective choice and action.

There is no doubt, therefore, that there is a need to measure the governance index on a periodic basis. In the regional and national consultations conducted in the course of this study, there was a consensus that the governance quality index should be measured regularly, possibly once every three years. Being able to gauge the performance of the LGU during the term of incumbent officials (as differentiated from previous officials) appears to be a major concern. Given this perspective, most of the participants in the consultations agreed that the best time to measure the governance index is at the middle of each term of LGU officials.

The next question is who should take on the task of measuring the governance quality index? This is a sensitive matter for two reasons. First, the chosen institution should be credible to the various stakeholders: LGU officials, central government bureaucrats, NGOs/POs, and local constituents. Any loss in the credibility of the sponsoring agency would seriously undermine the usefulness of the index. This can happen if the rating institution introduces systematic bias in the measurement process. Second, the designated institution should have the capability to undertake the measurement

of the index. In this case, local presence would be a crucial component of capability.

The likely candidate institutions include the League of Provinces/Cities, oversight national government agencies, a confederation of NGOs, or consortium of academic institutions. The League of LGUs has the advantage of being broad-based in the sense that they have local chapters. However, the League, at this point in time, is not adequately staffed to engage in an exercise of this nature. Then, too, the League can easily be accused, fairly or unfairly, of being partisan.

The Department of Interior and Local Government (DILG), the National Economic and Development Authority (NEDA) or the Commission on Audit (COA) is possible institutional home for the measurement of the governance quality index. However, LGUs may not take kindly to having any central government agency rate their performance. Such an arrangement may be perceived as running counter to the spirit of greater local autonomy. Moreover, these institutions may be seen by some of the stakeholders as either being too rules-oriented or under-staffed at the regional level to be credible in undertaking such an innovative exercise.

Local NGOs and local academic institutions appear to have the advantage of not only being credible but also of having enough local presence to make the effort less costly. Between these two groups, the latter has the additional advantage of possessing some of the technical preparation and discipline required for this activity. However, the former has the advantage of having the missionary zeal and commitment that may be necessary in making the undertaking a success.

In the final analysis, a four-cornered collaborative agreement involving key national government agencies, the League of LGUs, NGOs, and local academic institutions may be the most appropriate institutional arrangement for the measurement of the governance quality index. Such an arrangement will allow these institutions to capitalize on each other's strengths and compensate for each other's weaknesses.

SUGGESTED FUTURE REFINEMENTS

The following suggestions have been raised for consideration in future efforts to refine the governance quality index as it is defined in the present study:¹³

- Inclusion of some measure of the quality of the electoral process/participation at the local level in the governance quality index.
- Introduce output indicators which may be available from in the MBN indicator system (like the number of fully immunized children, number of pregnant women given tetanus toxoid vaccine, number of deliveries attended by medical personnel, number of moderately/severely malnourished children, and number of children aged 3-5 attending day care centers) in lieu of the service input indicators that are now part of SOII¹⁴
- Review of the specific social services that LGUs deliver on a regular basis so that the indicators are defined in terms of the same.
- Inclusion of indicators of LGU performance in the conduct of its regulatory functions as well as in the delivery of services other than social services (like agricultural services, and infrastructure services).
- Give more weight to SOII in the computation of the overall governance quality index.
- Revisit the primary reason for the measurement of the governance quality index. It was noted that the governance quality index may take different forms depending on the end-

¹³ These suggestions were generated when the preliminary output of this study was presented in four seminars/workshops attended by HDN members, representatives from key national government agencies, representatives from the Leagues of LGUs, and members of the Regional Development Councils in Region VI and XI.

¹⁴ If, indeed, these indicators are uniformly measurable across all LGUs, then these will yield a significant improvement in the measurement of the governance quality index. The problem with most MBN indicators stem from the fact that they are measured with reference to a subset of barangays in the municipality (as opposed to all barangays) raising doubts as to their representativeness.

use that it is meant to address. For instance, if the index is intended principally for HDN advocacy then the indicators should focus on the delivery of priority human development concerns. In contrast, if it is meant as part of the development administration toolkit, then it should encompass all LGU functions including local financial administration, local development planning, organization and management, local legislation, local service delivery and regulatory functions.

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Appendix 1. Questionnaire / Survey Instruments

BARANGAY _____
PROVINCE/CITY/MUNICIPALITY: _____BARANGAY _____
PROVINCE/CITY/MUNICIPALITY: _____Date: _____
ENGLISHDate: _____
TAGALOG

I. SATISFACTION WITH OVER-ALL MANAGEMENT

- Are you satisfied with the improvements for the community undertaken by the present (GOV/MAYOR'S) administration?
a. GOVERNOR?
b. MAYOR

II. AWARENESS/UTILIZATION/SATISFACTION WITH SERVICES

FOR CITY/MUNICIPALITY:

- Are you aware that the CITY/MUN is operating a health center/RHU/BHS?
- Have you or any member of your family availed of the services of the health center/RHU/BHS?
- If the answer in #3 is YES, Are you satisfied with the service you received?
- Are you aware that the CITY/MUN is providing social welfare services (day care centers/feeding centers)?
- Have you or any member of your family availed of the said social welfare services?
- If the answer in #4 is YES, Are you satisfied with the service you received?
- Are you aware that the CITY/MUN is providing agricultural extension services? (farm technician's assistance, livestock vaccination)
- Have you or any member of your family availed of the said agricultural services?
- If the answer in #8 is YES, Are you satisfied with the service you received?

FOR PROVINCE:

- Are you aware that the PROV is operating a hospital?
- Have you or any member of your family availed of its services?
- If the answer in #12 is YES, Are you satisfied with the service you received?
- Are you aware that the PROV is providing social welfare services? (disaster control: aid to typhoon/flood victims/street children/abused women/battered women)
- Have you or any member of your family availed of these services?
- If the answer in #15 is YES, Are you satisfied with the service you received?
- Are you aware that the PROV is providing agricultural services? (demo farm/research breeding stations).
- Have you or any member of your family availed of the said agricultural services?
- If the answer in #18 is YES, Are you satisfied with the service you received?

III. EMPOWERMENT

FOR PROVINCE/CITY/MUNICIPALITY:

- Are you a member of any organization that works for people's rights and development?
- Do you think LGU responds to the suggestions/demands of your organization?
- Have the LGU officials sought your opinion/s on ongoing projects?
- Do you attend community/barangay meetings?
- Do you think LGU responds to the suggestions/demands of the barangay/community?
- Have you participated in community projects? What are these projects?
- Are you inclined to approach the GOV. for personal favor?
- Are you inclined to approach the MAYOR for personal favor?

I. SATISFACTION WITH OVER-ALL MANAGEMENT

- Nasiyahan ka ba sa mga pagbabagong ginawa ni GOB/ MAYOR para sa buong probinsiya/bayan?
a. GOVERNOR
b. MAYOR

II. AWARENESS/UTILIZATION/SATISFACTION WITH SERVICES

FOR CITY/MUNICIPALITY:

- Mayroon bang health center/barangay health unit sa inyong lugar?
- Ikaw ba o' isa sa mga kasama mo sa bahay ay naka-pegagamot na sa health center/barangay health unit?
- Kung ang sagot sa #3 ay OO, nasiyahan ka ba sa serbisyo ng health center/barangay health unit?
- May day care center o' feeding center sa inyong lugar?
- Ikaw ba o' isa sa mga kasama mo sa bahay ay nakapasok sa day care center o' nakapunta sa feeding center?
- Kung ang sagot sa #4 ay OO, nasiyahan ka ba sa serbisyo ng day care center/feeding center?
- Mayroon ba dito sa CITY/MUN na mga tulong na pang agrikultura tulad ng Indyekson para sa hayop/tulong ng teknisyen.
- Ikaw ba o' isa sa mga kasama mo sa bahay ay nakatanggap na ng tulong katulad nito?
- Kung ang sagot sa #6 ay OO, nasiyahan ka ba sa tulong na iyong natanggap?

FOR PROVINCE:

- Mayroon bang hospital na pampubliko dito sa Probinsiya?
- Ikaw ba o' isan sa mga kasama mo sa bahay ay naka-pegagamot dito?
- Kung ang sagot sa #12 ay OO, nasiyahan ka ba sa serbisyo ng hospital?
- Mayroon bang social services na tinibigay ang pamahalaan ng Probinsiya tulad ng disaster relief para sa mga nasalanta ng bagyo/ bahay para sa mga bata sa lansangan at inabusong kababahan?
- Ikaw ba o' isa sa mga kasama mo sa bahay ay nakatanggap ng ganitong uri ng tulong?
- Kung ang sagot sa #15 ay OO, nasiyahan ka ba sa tulong ng ayong natanggap?
- Mayroon ba dito sa CITY/MUN na mga tulong na pang-agrikultura katulad ng demo farm, farm breeding station?
- Ikaw ba o' isa sa mga kasama mo sa bahay ay nakatanggap na ng tulong katulad nito?
- Kung ang sagot sa #18 ay OO, nasiyahan ka ba sa tulong na iyong nalanggap?

III. EMPOWERMENT

FOR PROVINCE/CITY/MUNICIPALITY:

- Ikaw ba ay kasapi ng isang samahan na tumutulong para isulong ang kaulanan at karapatan ng mga mamamayan?
- Sa palagay'nyo ba ay tinutugunan ng pamahalaang lokal ang inyong suhestiyon/kahilingan?
- Hinihingi ba ng mga lokal na opisyal ang inyong opinyon ukol sa kanilang mga proyekto?
- Dumadalao ka ba ng mga pulong sa inyong barangay/komunidad?
- Sa palagay'nyo ba ay tinutugunan ang inyong suhestiyon/kahilingan sa mga pulong na ito?
- Nakilalahok ka ba sa mga proyekto sa inyong lugar? Anu-ano ang mga proyektong ito?
- Kung nangangailangan ka, lalapit ka ba kay GOVERNOR para humuling ng personal favor?
- Kung nangangailangan ka, lalapit ka ba kay MAYOR para humuling ng personal favor?

Appendix 1. continued.

BARANGAY

PROVINCE/CITY/MUNICIPALITY: _____

Date: _____

ILONGO

I. SATISFACTION WITH OVER-ALL MANAGEMENT

1. Nakontento ka man sa mga pagbag-o nga gihimo ni Gob/Mayor para sa bug-os nga probinsiya/barwa?
 - a. GOVERNOR
 - b. MAYOR

II. AWARENESS/UTILIZATION/SATISFACTION WITH SERVICES

FOR CITY/MUNICIPALITY:

2. May-ara! bala kamo nga health center/barangay health unit sa inyo nga lugar?
3. Ikaw bala o isa sa mga upod mo sa panimalay nakaagi ng pabulong sa amo nga health center/barangay health unit?
4. Kon ang sabat sa #3 ay HU-O, nalipay o nakontento ka man bala sa iia serbisyo?
5. May day care center balao feeding center sa inyong nga lugar?
6. Ikaw bala o isa sa mga upod mo sa panimalay nakasulod na sa day care center o nakakadto sa feeding center?
7. Kon ang sabat sa #6 ay HU-O, nalipya o nakontento ka man bala sa serbisyo sang inyo day care center/feeding?
8. May ara bala din sa inyo ayudad/barwa sang bulig pang-agrikultura tulad sang indyeksyon para sa mga hayop/ bulig sang teknisyano?
9. Ikaw bala o isa sa mga upod mo sa panimalay nakabaton na sang sini nga bulig?
10. Kon ang sabat sa #9 ay HU-O, nalipay o nakontento ka man bala sa bulig nga mo nabaton?

FOR PROVINCE:

11. May-ara bala nga hospital pampubliko diri sa probinsiya?
12. Ikaw bala o isa sa mga upod mo sa panimalay nakaagi na pabulong didto?
13. Kon ang sabat sa #12 ay HU-O, nalipay o nakontento ka man bala sa iia serbisyo?
14. May ara bala social services nga ginhatag ang gobyerno sang Probinsiya katulad sang bulig para sa mga nahalian sang bagyo/ balay para sa mga palabuy-laboy ukon wala sang maistaran nga kabataan ukon para sa mga inabusong nga kababalanhan?
15. Ikaw bala o isa sa mga upod mo sa panimalay nakabaton na sa amo nga klase sang bulig?
16. Kon ang sabat #15 ay HU-O, nalipay on nakontento ka man bala sa bulig nga imo nabaton?
17. May-ara bala diri sa inyo ayudad/barwa sang mga bulig pang-agrikultura katulad sang demo farm, farm breeding station?
18. Ikaw bala o isa sa mga upod mo sa panimalay, nakabaton na sang amo sini nga klase sang bulig?
19. Kon ang sabat #18 ay HU-O, nalipay o nakontento ka man bala sa imo nabaton nga bulig?

III. EMPOWERMENT

FOR PROVINCE/CITY/MUNICIPALITY:

20. Miyembro ka bala sang isa ka organisasyon nga naga bulig para itib-ong ang kauswagan kag karapatan sang tawo ukon sang taga-tagas?
21. Sa imp lang, ginasebat man bala sang gobyerno-lokal ang inyo mga suhestiyon o panugda-un ukon kagustuhan?
22. Ang inyo bala nga mga opilyales sa probinsiya ukon barwa nakabu-ol kang inyo opinyon parte sa mga proyekto nga ginapa-obra sa tulad?
23. Naga-intra o nagepasapak ka man bala sa mga meeting/pulong-pulong o pagtipon-tipon sa inyo barangay o kumunidad? Kon sa imo lang, ginasebat man bala ang inyo suhestiyon pang da-un ukon kagustuhan sa mga meeting o pulong-pulong ukon pagtipon-tipon sa inyo barangay?
25. Naga-ugyon ka man bala sa mga proyekto sa inyo nga lugar? Mga amo ina nga proyekto?
26. Kon nagekinahanglan ka, mapalapit ka bala kay Gobernador para mangayo sang pabor o bulig?
27. Kong naga kinahanglan ka, mapalapit ka bala kay Mayor para mangayo sang pabor o bulig?

BARANGAY

PROVINCE/CITY/MUNICIPALITY: _____

Date: _____

DAVAO

I. SATISFACTION WITH OVER-ALL MANAGEMENT

1. Nalipay ka ba sa mga bag-ong gihimo ni Gobernador/Mayor para sa tibuk probinsiya lungsod?
 - a. GOVERNOR
 - b. MAYOR

II. AWARENESS/UTILIZATION/SATISFACTION WITH SERVICES

FOR CITY/MUNICIPALITY:

2. Nakahibalo ba mo nga naay health center/barangay health unit sa inyo nga lugar?
3. Ikaw ba o usa sa imong mga kapamilya o kauban sa balay nakapagtambal na sa health center/barangay health unit?
4. Kung ang tubag OO, nakontento o nalipay ba mo sa ilang serbisyo?
5. Nakahibalo ba mo nga naay day care center of feeding center sa inyo nga lugar?
6. Ikaw ba o usa sa imong mga kapamilya o kauban sa balay nakapahimulos sa maong serbisyo?
7. Kung ang tube OO, nakontento o nalipay ba mo sa ilang serbisyo?
8. Nakahibalo ba mo nga ang inyo nga lungsod o munisipyo nagahatag ng tabang sa pang-urma o agricultural extension services sama sa farm technician's assistance ng injection pa sa mga hayop?
9. Ikaw ba o usa sa imong mga kapamilya o kauban sa balay nakapahimulos sa maong tabang pang-urma?
10. Kung ang tubag OO, nalipya o nakontento ba mo sa ilang serbisyo?

FOR PROVINCE:

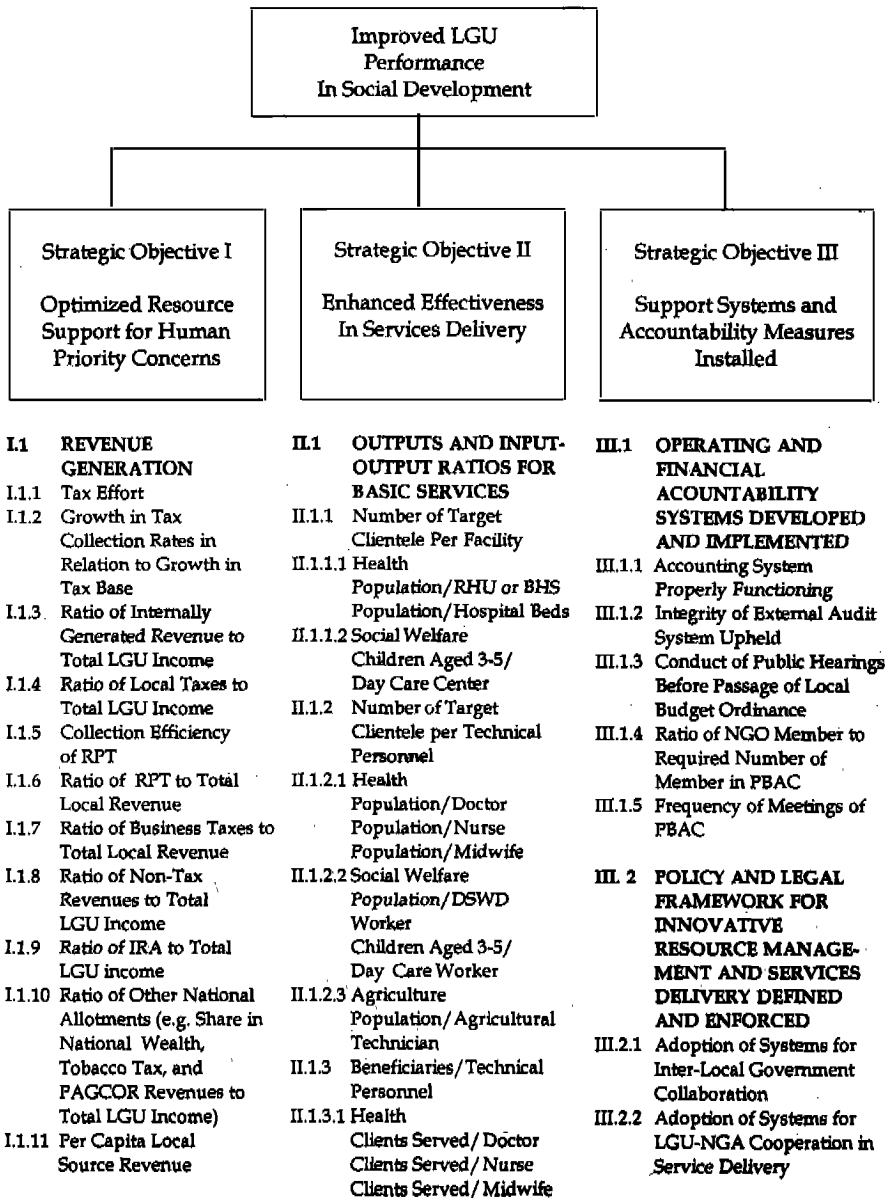
11. Nakahibalo ba mo nga naay hospital sa inyo nga probinsiya?
12. Ikaw ba o usa sa imong mga kapamilya o kauban sa balay nakapagtambal na maong hospital?
13. Kung ang tubag OO, nakontento o nalipay ba mo sa ilang serbisyo?
14. Nakahibalo ba mo nga ang inyo probinsiya na gahatag ng social welfare services sama sa tabang para sa mga biktima bagyo o bahi, sa mga batang kalsad, mga naabusong babae, etc.?
15. Ikaw ba o isa sa imong mga kapamilya o kauban sa balay nakapahimulos na sa maong mga serbisyo?
16. Kung ang tubag OO, nakontento ba mo sa ilang serbisyo?
17. Nakahibalo ba mo nga ang inyo probinsiya nagahatag ng agricultural services o tabang pang-urma sama sa pag-demo sa umahan o research breeding stations?
18. Ikaw ba o usa sa imong mga kapamilya nakapahimulos sa maong agricultural services?
19. Kung ang tubag OO, nakontento ba mo sa ilang serbisyo?

III. EMPOWERMENT

FOR PROVINCE/CITY/MUNICIPALITY:

20. Ikaw ba ay miyembro sa maski unsang organisasyon nga ang lumong ugtyuwa para sa kauswagan ng katungod sa mga tawo
21. Sa imong bana-bana o huna-huna ang inyo bang lokal nga gobyerno nakatubag sa mga kinahanglan sa inyuhang organisasyon?
22. Nangayo ba og opinyon o suggestion ang lokal na gobyerno sa inyo para sa mga on-going projects?
23. Naga-attend ba mo og community o barangay meetings?
24. Sa imo'y huna-huna nagatubag ba sa mga suggestion o kinahanglanon ng barangay/community ang inyo nga lokal na gobyerno?
25. Ikaw ba ay nakaubang/nakaapil sa mga proyektong pang-kumunidad? Unang nga proyekto?
26. Kung naginghanglan ka, moadto ka ba kay Gobernador para mangayo ng personal nga favor?
27. Kung naginghanglan ka, moadto ka ba kay Mayor para mangayo ng personal nga favor?

Appendix 2. Preliminary list of performance indicators



I.1.12	Ratio of Local Source Revenue to Total LGU Expenditure	II.1.3.2	Social Welfare Client Served/DSWD Technical Personnel Enrollees/Day Care Worker	III.3	MICRO-LEVEL ACCOUNTABILITY AND TRANSPARENCY MEASURES IN PLACE
I.1.13	Regularity in the conduct of the General Revision of Schedule of Market Values			III.3.1	Citizen's Perception of LGU Management (net Satisfaction Rate)
I.2	REVENUE UTILIZATION	II.2	AWARENESS, UTILIZATION, AND LEVEL OF SATISFACTION OF BENEFICIARIES WITH SERVICE DELIVERED (From the survey)	III.3.2	Citizen's Participation Rate
I.2.1	Ratio of Total Social Expenditures to Total LGU Expenditures	II.2.1	Awareness of the: (% to Total) Health Centers/RHUs Hospital Day Care Other Welfare Services Agriculture/Fishery Related Services	a)	Participation in NGOs
I.2.2	Ratio of Human Priority Expenditures to Total LGU Expenditures			b)	Participation in Barangay Affairs
I.2.3	Ratio of Social Expenditure to total LGU Income	II.2.2	Availment of the following Services/Facilities (% to Total) Health Centers/RHUs Hospital Day Care Other Welfare Services Agriculture/Fishery Related Services	III.3.3	Citizen's Empowerment Rate
I.2.4	Ratio of Human Priority Expenditure to Total LGU Income			a)	Perception of NGO Influence on LGU Affairs
I.2.5	Per Capita LGU Social Expenditure	II.2.3	Satisfaction of the following Services/Facilities (% Net Satisfied) Health Centers/RHUs Hospital Day Care Other Welfare Services Agriculture/Fishery Related Services	b)	Perception of Barangay Influence on LGU Affairs
I.2.6	Per Capita LGU Human Priority Expenditure				
I.2.7	Per Capita Total LGU Expenditure				
I.2.8	Updated Annual Development Plan Approved by Sanggunian				
I.2.9	Improved Budget System in Place				
I.3	REVENUE AND SUPPORT SYSTEM DIVERSIFICATION	II.3	USE OF NON-TRADITIONAL MODES OF SERVICES DELIVERY LIKE FRANCHISING AND OTHER CONTRACTING		
I.3.1	Cost Recovery Measures:				
a)	Hospital Revenue to Hospital Budget				
b)	Revenue from public Market to Public Enterprise Expenditures				
c)	Revenue from Waterworks to Public Enterprise Expenditure				
d)	Revenue from Public Cemetery to Public Enterprise Revenue				
e)	User Charges Collected by LGUs Compared with Rates Charged by Comparable Private Enterprise				

<ul style="list-style-type: none"> f) Revenue from Slaughter-house to Public Enterprise Expenditure 	<ul style="list-style-type: none"> II.4 	<ul style="list-style-type: none"> EXTENT OF PARTICIPATION OF CIVIL SOCIETY INSTITUTIONS IN SERVICE DELIVERY
<ul style="list-style-type: none"> g) Revenue from Public Utilities to Public Enterprise Expenditure 	<ul style="list-style-type: none"> II.4.1 	<ul style="list-style-type: none"> Number of NGOs, POs, and Business Firms Engaged by an LGU in Service Delivery
<ul style="list-style-type: none"> I.3.2 Community-Based Service Support System such as: 	<ul style="list-style-type: none"> II.4.2 	<ul style="list-style-type: none"> Number of NGOs, Pos, and Business Firms Engaged in Monitoring and Evaluation of LGU Basic Services
<ul style="list-style-type: none"> a) Health Insurance b) Provident Fund c) Cooperative 	<ul style="list-style-type: none"> II.5 	<ul style="list-style-type: none"> EXTENT OF PARTICIPATION OF CIVIL SOCIETY INSTITUTIONS IN LOCAL SPECIAL BODIES
<ul style="list-style-type: none"> I.3.3 Use of Market-Oriented Mechanisms like BOT, Franchising, Service Contract Arrangements, Vouchers, and Bond Floatations 	<ul style="list-style-type: none"> II.5.1 	<ul style="list-style-type: none"> Proportion of NGO Membership to Total Composition of Local Development Councils (LDCs)
<ul style="list-style-type: none"> a) BOT b) Bond Floatation c) Privatization/ Management Contract 	<ul style="list-style-type: none"> II.5.2 	<ul style="list-style-type: none"> Frequency of Meeting of Local Development Council
<ul style="list-style-type: none"> d) Bank Loan 	<ul style="list-style-type: none"> II.5.3 	<ul style="list-style-type: none"> Ratio of NGO Member to Required Number of Member in Local School Board (LSB)
<ul style="list-style-type: none"> e) Others 	<ul style="list-style-type: none"> II.5.4 	<ul style="list-style-type: none"> Frequency of Meetings of LSB
	<ul style="list-style-type: none"> II.5.5 	<ul style="list-style-type: none"> Ratio of NGO Member to Required Number of Member in Local Health Board (LHB)
	<ul style="list-style-type: none"> II.5.6 	<ul style="list-style-type: none"> Frequency of Meetings of LHB

Appendix 3. Formulae used to compute the different indices

1. Local Revenue Effort

$$\text{Loc rev eff index}_i = \min \left(1, \frac{\text{total loc rev}_i / \text{popn}_i}{2 * \text{natl ave per pax loc rev}} \right)$$

where total loc rev_i refers to total local source revenue of LGU *i*;
 popn_i refers to population of LGU *i*;
 natl ave per pax loc rev refers to the national average per capita local source revenue.

2. Cost Recovery Index

$$\text{Cost reco index}_i = \min \left(1, \frac{\text{act ent rev}_i / \text{act ent expd}_i}{2 * \text{natl ave cost reco}} \right)$$

where act ent rev_i refers to actual revenue from specified enterprise/activity in LGU *i*;
 act ent expd_i refers to actual expenditure in specified enterprise/activity in LGU *i*;
 natlave cost reco refers to national average cost recovery ratio in specified economic enterprise.

3. Per Capita Social Service Expenditure Index

$$\text{Soc serv expd index}_i = \min \left(1, \frac{\text{act socserv expd}_i / \text{popn}_i}{2 * \text{natl ave socserv expd}} \right)$$

where act soc serv expd_i refers to actual social service expenditure of LGU *i*; and,
 natl ave soc serv expenditure refers to the national average per capital social service expenditure.

4. Social Service Expenditure Ratio

$$Soc\ serv\ expd\ ratio_i = \min \left(1, \frac{act\ soc\ serv\ expd_i / tot\ LGU\ expd_i}{2 * natl\ ave\ soc\ serv\ expd\ ratio} \right)$$

where $tot\ LGU\ expd_i$ refers to total expenditure of LGU i .

5. General Revision in Schedule of Market Values Index

$$\begin{aligned} Gen\ rev\ index_i &= 1, \text{ if general revision of schedule of market} \\ &\text{values was approved by Sanggunian in 1996;} \\ &= 0, \text{ otherwise.} \end{aligned}$$

6. Annual Development Plan Index

$$\begin{aligned} Ann\ dev\ pln\ index_i &= 1, \text{ if Annual Development Plan for} \\ &\text{1996 was approved by Sanggunian;} \\ &= 0, \text{ otherwise.} \end{aligned}$$

7. Net Satisfaction Rate with Specified Services Provided.

$$Net\ satisfaction\ rate = (1/N) (n_s - n_{ns}) * 100$$

where n_s is the number of respondents who are satisfied with specified social service delivered;

n_{ns} is the number of respondents who are not satisfied with specified social service delivered; and

N is the total number of respondents.

8. Macro-accountability Index

$$COA\ audit\ index_i = 1 - \left(\frac{amt\ disallow_i}{tot\ expd_i} \right)$$

if $amt\ disallow_i < tot\ expd_i$ and

$$COA\ audit\ index_i = 1$$

if $\text{amt disallow}_i > \text{tot expd}_i$ and

where tot expd_i refers to total expenditure of LGU i ;
 amt disallow_i refers to amount of current year
 disallowances of LGU i .

9. Index of Citizens' Participation in NGOs

$$\text{Citi part rate} \in \text{NGO} = \frac{n_{p\text{NGO}}}{N}$$

where $n_{p\text{NGO}}$ refers to the number of respondents who are
 members of NGOs; and
 N refers to total number of respondents.

10. Index of Citizens' Participation in Barangay

$$\text{Citi part rate} \in \text{brgy} = \frac{n_{p\text{brgy}}}{N}$$

where $n_{p\text{brgy}}$ refers to the number of respondents who are
 participating in barangay affairs.

11. Index of Citizens' Perception of NGO Empowerment

$$\text{Index of NGO influence on LGU affairs} = \frac{n_{i\text{NGO}}}{N}$$

where $n_{i\text{NGO}}$ is the number of respondents who perceived
 NGOs are able to influence LGU policies and actions.

12. Index of Citizens' Perception of Barangay Empowerment

$$\text{Index of barangay influence} = \frac{n_{i\text{brgy}}}{N}$$

where $n_{i\text{brgy}}$ is the number of respondents who perceived
 barangays are able to influence LGU policies and actions.

13. Exit Index

Exit index = 1, if LGU is engaged in any one of the various innovative service delivery schemes like management contract, BOT, etc.
= 0, otherwise.

14. Service Inputs Adequacy Index

$$serv\ inp\ adeq\ index_i = \min \left(1, \frac{natl\ stnd}{(no\ trgt\ clnt_i)/(act\ no\ persnl_i)} \right)$$

where *natl stnd* refers to the national benchmark;
no trgt clnt_i refers to the number of target clientele in LGU *i*;
act no persnl_i refers to the actual number of relevant personnel in LGU *i*.

15. Index of Vertical Linkage with NGA

LGU-NGA cooperation index = 1, if LGU has existing cost-sharing agreement/s with national government agencies; and
0, otherwise

16. Index of NGO Participation in Local Special Bodies

where *act no NGO rep_i* refers to actual number of NGO representative in specified local special body of LGU *i*;
prescr no_i refers to prescribed number of NGO representative in specified local special body of LGU *i*.