

# Quality of Governance and Local Development: The Case of Top Nine Performing Local Government Units in the Philippines

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Date Received: June 24, 2014; Date Published: August 15, 2014

**Abstract** – There is a large body of literature that studies the link between good governance and development in a country level. However, only a few have exploited the same study in the local government unit (LGU) setting. This study attempts to establish the relationship between the quality of governance and the state of local development of the Top 9 Performing LGUs in the Philippines (La Union, Albay, Cavite, Ilocos Norte, Makati City Valenzuela City, Taguig City, Davao City and Angeles City) as measured by the Local Governance Performance Management System (LGPMS), the nationwide governance performance evaluation and management tool used in the Philippines. I used the data generated by the LGPMS, particularly the state of local governance and the state of local development, to see if there is a relationship between the two variables using Spearman's correlation coefficient. Results revealed that there is no relationship between the quality of governance and the state of local development in the consistently top performing LGUs in the Philippines for the period 2009-2011. The findings of this study will be useful to government officials such as public administrators, LGU executives, policy makers, researchers, and students of public administration in addressing the issue of good governance and local development in their respective LGUs.

**Keywords** – good governance, performance measurement, local government

## I. INTRODUCTION

Development is corollary to good governance. In fact, a large body of literature explored the connection between good governance and development. Because of studies linking governance and development, UN Secretary-General Ban Ki-Moon, in his International Anti-Corruption Day message in 2013 said, "Good governance is critical for sustainable development." This statement was pronounced earlier by former UN Secretary-General Kofi Annan, saying, "Good governance is perhaps the single most important factor in eradicating poverty and promoting development." Moreover, a World Bank (2000) review of 40 different studies concludes that there is 'overwhelming evidence that good governance is essential for successful development (p. 175).

Several works examined the relationship between these two variables in cross-country and single country studies. However, only a few have exploited the same study in the local government setting. With the Philippines' decentralization in 1991, it is worthwhile to look at how governance devolved from the national

government to LGUs. The role of LGUs, therefore, is an important factor to consider in studying governance and development. Thus, this paper attempts to examine the relationship between governance and development in the Top Nine Performing LGUs in the Philippines as measured by the Local Governance Performance Management System (LGPMS).

Studies on cross-country data (Chong & Calderón, 2000; Levine, 1997; Stephen, 2002) established a relationship between good governance and development. Other research also dealt with the cause-and-effect relationships of good governance and development (Kaufman & Kraay, 2002). These studies included the work of Rivera-Batiz (2002), Sharma (2007), and Kuotsai (2007) which reinforced results of previous studies showing the relationship between governance and development. Lameira and Ness (2010), on the other hand, explored the theoretical framework linking the level of governance of the countries with their economic performance. Meanwhile, a Philippine study by Capuno (2005) traced and found evidence linking quality of governance and

local development since the adoption of the fiscal decentralization policy in the Philippines in 1991. Findings showed that the initial level of economic conditions determined the acceptable quality of local governance.

Meanwhile, in studies that focused on single or small countries, this cause-and-effect relationship was not clearly established since there were intervening factors that led to development even in the absence of good governance (Quian, 2003). The study of Record (2005) argued that a country might still experience economic development even with the absence of good governance. Such was the case in Vietnam, which, although with high levels of corruption and poor governance, successfully led the country to development and poverty reduction. To this Painter (2014) concurred, arguing that there is no firm basis for any set of good governance reforms as a prerequisite for development.

Since two groups of findings emerged on studies of governance and development as presented in the above discussion, I decided to explore the same subject in an LGU setting. This is to find out which of the two findings will apply in an LGU setting in the Philippines, using the Top Nine LGUs ((La Union, Albay, Cavite, Ilocos Norte, Makati City Valenzuela City, Taguig City, Davao City and Angeles City) as samples.

## II. OBJECTIVES OF THE STUDY

The general aim of this study is to examine the relationship between the state of governance and the state of development in the top nine performing LGUs in the Philippines for the period 2009-2011, which researchers in the country have not explored using the LGPMS data. Specific objectives that will help in meeting the general objective of the study include: to identify the specific governance variable as defined in the LGPMS (administrative, social, economic, environmental, valuing fundamentals of good governance) that serves as the LGU's weakness in achieving high governance rating; to identify the specific development variable as defined in the LGPMS (social, economic, environmental) that serves as the LGU's weakness in achieving high development governance rating; to determine which governance variable has the greatest effect on development variables; and to test the relationship between the quality of local governance and the state of local development in the top nine performing LGUs in the Philippines for the period 2009-2011.

## III. MATERIALS AND METHOD

This study used descriptive quantitative method in examining the relationship between quality of governance and state of local development. I used a three-year longitudinal data generated by the LGPMS for the periods 2009-2011 for the quality of governance and the state of local governance for 2012. This is because the report on quality of governance is taken every year while the state of local development is rated every three years, the first rating period being 2009, and the most recent is 2012. I used a correlational statistics, Spearman's correlation coefficient, to determine the relationship between the two variables. I tested each governance indicator as against each development indicator to see which received the lowest rating for all LGUs and which governance variable has the greatest effect on development. To get the whole picture, I took the mean of governance and development for all LGUs and ran them in SPSS.

### Participants

This study covers only the Top Nine LGUs in the Philippines, namely: Albay, Ilocos Norte, La Union, Cavite, Makati City, Valenzuela City, Taguig City, Angeles City and Davao City. The samples were selected based on their Overall Performance Index (OPI) for the three rating periods 2009-2011. The OPI consists of the average rating of the five areas of governance, namely: administrative, social, economic, environmental and valuing fundamentals of good governance. The OPIs were then used as bases for awarding an LGU as top performer. Those LGUs that belong to the Top 10 have consistently high OPI. Out of the 10 high performers from 2009-2011, the nine selected LGUs were consistently at the top. In using these samples, the researcher wants to find out if the high quality of governance in these LGUs translates to a high state of local development.

### Instruments

Since the present study does not deal with countries but with LGUs, it used a system and indicators specifically created for LGUs, but still taking into consideration other indicators used by the World Bank in measuring good governance such as transparency, accountability and participation. The measurement system used in this study is the Local Governance Performance Management System, or LGPMS, an on-line national information system on local governments. It is a self-assessment, management and development tool that enables local governments—provinces, cities

and municipalities—to determine their capabilities and limitations in the delivery of essential public services. It is a web-based system that has the ability to produce information on the state of local governance performance, and the state of local development, using governance and development indicators.

### Procedure

Data collected were longitudinal from 2009-2011 for the state of local governance while data collected for the state of local development were taken from the year 2012. This is because the data on the state of local development is administered every three years so that all development indicators from the previous years will be taken into consideration in the rating.

The author used tables and figures to present data. Highlighted in Tables 1-6 are the local governance performance rating of each sample LGU covering four (4) areas of governance: (a) administrative governance, (b) social governance, (c) economic governance, and (d) environmental governance. Also included under governance is the index fundamental of good governance to determine how the elements of good governance such as participation, transparency, and financial accountability are valued in the LGU. Ratings on the three areas of local development are also presented under social, economic, and environmental development. The LGU's performance was assessed based on the responses of the LGU's Team to the questions provided into the LGPMS database. A Performance Scale is used to identify areas with excellent performance and areas for improvement. A perfect scale of 5 denotes excellent performance while performance scales of 1-4 indicate areas for improvement. Although scales of 3 and 4 are relatively high, there are still areas which can be improved on.

### Data Analysis

The statistical treatment applied to test the correlation between the two variables was Spearman's Correlation Coefficient since the data were rank-ordered, monotonic and not linear. Data for each sample LGU for each rating period (2009-2011) were tabulated. The mean for each year was computed, then the average for the three consecutive rating periods was taken to get the overall mean for the state of governance. The same process was applied in computing the state of development, only that the rating period considered was 2012 since the state of local development is being generated only every three years and the 2012 data is

the most recent. After getting the overall means for governance and development, the data were placed in a separate table to compute for correlation. The SPSS was used to compute for Spearman's correlation, so only the results will be presented.

## IV. RESULTS

Table 1. *Comparative Rating between the State of Local Governance and State of Local Development*

LGU	Local Governance	Economic Development
Ilocos Norte	4.80	3.57
La Union	4.90	3.54
Cavite	4.80	3.38
Albay	4.80	3.08
Makati City	4.70	3.29
Valenzuela City	4.76	3.28
Taguig City	4.66	3.29
Davao City	4.65	3.33
Angeles City	4.71	4.04

*Note: Data are sourced from www.lgpms.gov with the rating period of 2009-2011.*

Table 2. *Relationship of Administrative Governance to Social, Economic and Environmental Development*

Administrative Governance	Correlation Coefficient	Sig. (2-tailed)
Social Development	.638	.064
Economic Development	-.692*	.039
Environmental Development	.203	.600

\*. Correlation is significant at the 0.05 level (2-tailed).

### Administrative Governance and Development

Of the three development areas (social, economic, environmental) tested against administrative governance, only social development showed no relationship with the variable. Economic development revealed a significant relationship with administrative governance,  $p=.039$  and coefficient of  $-.692$ , meaning a strong negative correlation. Meanwhile, environmental development has weak positive relationship with administrative governance,  $p=.600$  and coefficient  $=.203$ . Ilocos Norte has the highest administrative governance rating of 4.82 among the Top 9 LGUs, while Albay got the lowest rating of 4.38. On the state of local development, Angeles City got the highest rating of 4.04 while Albay maintained its being at the bottom with a rating of 3.08.

Table 3. *Relationship of Economic Governance to Social, Economic and Environmental Development*

		Econ_Gov	Social_Dev	Econ_Dev	Environ_Dev
Econ_Gov	Correlation Coefficient	1.000	.561	-.689*	.283
	Sig. (2-tailed)	.	.116	.040	.460
	N	9	9	9	9
Social_Dev	Correlation Coefficient	.561	1.000	-.122	.385
	Sig. (2-tailed)	.116	.	.754	.306
	N	9	9	9	9
Econ_Dev	Correlation Coefficient	-.689*	-.122	1.000	-.118
	Sig. (2-tailed)	.040	.754	.	.763
	N	9	9	9	9
Environ_De v	Correlation Coefficient	.283	.385	-.118	1.000
	Sig. (2-tailed)	.460	.306	.763	.
	N	9	9	9	9

\*. Correlation is significant at the 0.05 level (2-tailed).

*Note: Admin stands for administrative, gov for governance, dev for development, admin for administrative, econ for economic, environ for environmental.*

### Economic Governance and Development

Of the three development areas, only social development showed no relationship with economic governance. Spearman's correlation test showed that economic governance with a correlation coefficient of -.689 and a *p*-value of .040 has a strong negative correlation to economic development. This is true in this study since all nine LGUs recorded high economic governance ratings that are higher than their economic development ratings. In economic development data, however, all five highly urbanized cities (HUCs) got the highest ratings among the nine LGUs although with only a fair rating (below 4.0). Meanwhile, environmental development indicated a weak positive correlation with economic governance.

Table 4. *Relationship of Social Governance to Social, Economic and Environmental Development*

		Soc_Gov	Social_Dev	Econ_Dev	Environ_Dev
Soc_Gov	Correlation Coefficient	1.000	.268	-.303	.100
	Sig. (2-tailed)	.	.486	.429	.798
	N	9	9	9	9
Social_Dev	Correlation Coefficient	.268	1.000	-.122	.385
	Sig. (2-tailed)	.486	.	.754	.306
	N	9	9	9	9
Econ_Dev	Correlation Coefficient	-.303	-.122	1.000	-.118
	Sig. (2-tailed)	.429	.754	.	.763
	N	9	9	9	9
Environ_Dev	Correlation Coefficient	.100	.385	-.118	1.000
	Sig. (2-tailed)	.798	.306	.763	.
	N	9	9	9	9

*Note: Admin stands for administrative, gov for governance, dev for development, admin for administrative, econ for economic, environ for environmental.*

**Social Governance and Development**

Social governance showed a weak positive relationship with social development and weak negative relationship with economic development,  $p=.429$  and coefficient $=.100$ . It has no relationship with environmental governance as evidenced by the  $p$ -value of  $.798$  and a correlation coefficient of  $.100$ . La Union

exhibited the highest rating of 5 in social governance while Davao City got the lowest rating of 4.63. Of the three development areas, economic development showed poor ratings, with Albay registering the lowest score of 2.28, followed by La Union with 2.89 and Ilocos Norte with 2.91.

Table 5. Relationship of Environmental Governance to Social, Economic and Environmental Development

		Environ_Gov	Social_Dev	Econ_Dev	Environ_Dev	
Spearman's rho	Environ_Gov	Correlation Coefficient	1.000	.098	-.631	.102
		Sig. (2-tailed)	.	.801	.068	.794
		N	9	9	9	9
	Social_Dev	Correlation Coefficient	.098	1.000	-.122	.385
		Sig. (2-tailed)	.801	.	.754	.306
		N	9	9	9	9
	Econ_Dev	Correlation Coefficient	-.631	-.122	1.000	-.118
		Sig. (2-tailed)	.068	.754	.	.763
		N	9	9	9	9
	Environ_Dev	Correlation Coefficient	.102	.385	-.118	1.000
		Sig. (2-tailed)	.794	.306	.763	.
		N	9	9	9	9

Note: Admin stands for administrative, gov for governance, dev for development, admin for administrative, econ for economic, environ for environmental.

Table 6. Relationship of Fundamentals of Good Governance to Social, Economic and Environmental Development

		Funda_Gov	Social_Dev	Econ_Dev	Environ_Dev	
Spearman's rho	Funda_Gov	Correlation Coefficient	1.000	.538	-.751*	.351
		Sig. (2-tailed)	.	.135	.020	.354
		N	9	9	9	9
	Social_Dev	Correlation Coefficient	.538	1.000	-.122	.385
		Sig. (2-tailed)	.135	.	.754	.306
		N	9	9	9	9
	Econ_Dev	Correlation Coefficient	-.751*	-.122	1.000	-.118
		Sig. (2-tailed)	.020	.754	.	.763
		N	9	9	9	9
	Environ_Dev	Correlation Coefficient	.351	.385	-.118	1.000
		Sig. (2-tailed)	.354	.306	.763	.
		N	9	9	9	9

Note: Admin stands for administrative, gov for governance, dev for development, admin for administrative, econ for economic, environ for environmental. \*. Correlation is significant at the 0.05 level (2-tailed).

Environmental governance revealed no relationship with each of the three development areas namely, social, economic and environmental. This means that the rating of environmental governance has no effect at

all in the development of the three areas. This is supported by the strong performance of environmental governance, which got the highest rating across all LGUs. It is evident that no relationship exists with

development areas since the high ratings did not affect even the environmental development of all LGUs, except for Angeles City, which registered the highest environmental rating of 4.39.

### Valuing Fundamentals of Good Governance and Development

The LGUs valuing the fundamentals of good governance, which include transparency, participation and accountability does not affect social development and environmental development. Only economic development revealed a moderate relationship as evidenced by a correlation coefficient of .538 and *p*-value of .135.

Of the five governance areas—administrative, social, economic, environmental, and valuing fundamentals of good governance—economic governance has the lowest mean score across the nine LGUs with a rating of 4.51, followed by administrative governance at 4.59. It is evident that the highly urbanized cities (HUCs), Makati and Taguig all registered a low rating on economic governance, with 3.47 and 3.90, respectively. All others got a rating higher than 4.5, which is very good.

In economic development data consisting of social, economic and environmental, economic development received the lowest mark across all LGUs with a mean of 3.15. This was followed by environmental development at 3.4 and social development at 3.68. All five HUCs—Makati, Valenzuela, Taguig, Davao, and Angeles City got the highest ratings among the nine LGUs although with a fair rating (below 4.0).

Table 7. *Relationship between Governance and Development for the Top 9 LGUs*

	Correlation Coefficient	Sig. (2-tailed)	Interpretation
Governance and Development	<b>.162</b>	<b>.678</b>	<b>Not Significant</b>

Table 7 shows the result of the Spearman's correlation test between governance and development. The Spearman's test revealed a correlation coefficient of .162, which means that there is an extremely weak relationship between governance and development. The *p*-value of .678 results in failure to reject the null hypothesis. Therefore, we can say that there is no relationship between governance and development in the Top 9 performing LGUs in the Philippines for the period 2009-2011.

### V. DISCUSSION

The result of this study showing no relationship between the quality of governance and the state of local development in the Top Nine Performing LGUs in the Philippines is an important finding in the field of governance. This means that the quality of governance has no effect on the state of local development of a certain LGU. It is noteworthy that for the variables governance and development, the economic aspect is the gap or the weakest link that needs to be addressed. This is supported by the low ratings of all nine LGUs in both variables. A correlational test done on economic governance and economic development yielded a strong negative relationship between the two while other areas under governance and development yielded weak or no correlation. It is therefore the economic area that needs a lot of improvement for both variables even for highly urbanized LGUs, but more so for first class provincial LGUs. This result is evident in our sample LGUs since the study's participants are all Top LGU performers, yet they have *fair* economic development rating.

As presented in Table 1, the Top 9 LGUs have very *high* governance rating; however, their local development rating is reported to be *fair*. Many core challenges such as high unemployment rate, high poverty incidence, high crime rate, low elementary participation, squatting incidence in coastal areas, and the presence of pollution need to be addressed by the LGUs. Despite good governance in the LGUs, development, especially economic development, remains to be a problem. Although this finding is not supported by cross-country empirical studies suggesting that there is a positive relationship between good governance and local development. (Knack & Keefer, 1995; Mauro, 1995; Barro, 1996; Clague, et al., 1997; Knack & Keefer, 1997; Johnson, et al., 1998; Hall & Jones, 1999; Kauffman, et al., 1999; Lambsdorff, 2005), it is, however, supported by findings conducted by Painter (2014), Goldsmith (2007), Holmberg, Rothstein and Nasiritousi (2008), Record (2005), and Rodrik (2002). The case of China and Vietnam is evidence that despite bad governance, development can likely take place (Painter, 2014) as there are other factors contributing to the development of a country. Similarly, as found in this study, good governance does not translate to economic, social, and environmental development of an LGU.

Much still needs to be done to improve the state of local development of the constituents especially the economic development of the Top 9 LGUs. Among the socio-economic and environmental concerns that still

need to be addressed are the state of education, high unemployment rate, high poverty incidence, large-scale logging, quarrying and mining, presence of polluting industries in riverside or lakeside, squatting, low crop yield, illegal fishing, and high crime incidence. When these are addressed, we can truly say that there is indeed good governance and that it is closely linked to development.

## VI. CONCLUSIONS AND RECOMMENDATION

This study was able to establish that there is no relationship between the state of local governance and the state of local development in the Top 9 Philippine LGUs for the period 2009-2011. This conclusion is supported by the findings of similar studies like that of Painter (2014), Goldsmith (2007), Holmberg, Rothstein and Nasiritousi (2008), Record (2005), and Rodrik (2002) who suggested that there is no correlation between good governance and development since there are many other factors affecting development. Using the cause-and-effect theory that served as the framework of this study, we can say that development is not solely caused by good governance. However, all governance factors, except environmental, have an effect on economic development as shown in Tables 1-6.

Since good governance is the goal of all governing bodies, believing that it is closely linked to development, the result of this study will be helpful in looking at governance differently by shifting the LGUs' focus on improving not only governance ratings but also development ratings especially economic development. This is because constituents have to experience economic development through poverty alleviation programs, job opportunities, and the provision of basic goods and services.

In order to affect the lives of the constituents, the high governance rating should translate to a high state of local development rating, especially economic development. LGUs should therefore implement policies and programs that will increase employment opportunities, reduce poverty incidence, provide housing, reduce squatting and increase the literacy level of their respective constituents.

Although the findings of this study is supported by similar previous studies, one weakness of this research is that it used only the top nine performing LGUs as its sample, out of the 121 LGUs across the country. Also, the period considered is too short, just three years (2009-2011). Nevertheless, the question that would arise is that, if this is the scenario in the Top 9

performing LGUs, how much less is the development ratings of those LGUs at the bottom rank?

It is hereby recommended to conduct a similar study per region so that we can have a complete picture of the national situation using the LGPMS. There is a need to conduct a similar study using a different instrument in order to validate the findings of this study. It is also useful for LGUs to chart the indicators where they have poor ratings as shown in the LGPMS and come up with policies and programs to improve them.

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