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

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INDICATORS OF GOOD GOVERNANCE: DEVELOPING AN INDEX OF GOVERNANCE QUALITY AT THE LGU LEVEL

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February 1999
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1. INTRODUCTION

Ask people what they think of governance and they will probably tell you: government, authority, control, power.

True, it may be all these but there's more.

Governance has been 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 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 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).

1.1. 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 and acceptable good governance indicators are in evaluating and monitoring LGU performance; and to find out how these indicators can be integrated in the 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. The next one is to define 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: one, capacity of the LGU to mobilize and utilize resources; two, efficiency and
effectiveness in the delivery of social services; and three, presence of mechanisms to ensure accountability.

This is not to say that this study's view of governance is limited to these aspects alone. Indeed, it is recognized that on a broad scale, governance indicators should also encompass the legal framework for development including the judicial system (World Bank 1992), economic management, and egalitarian income distribution (Huther and Shah 1998). However, this study deems that these dimensions of governance are more applicable to the central government than to LGUs.

1.2. 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 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 robust 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 which 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. They will not explain why some LGUs perform better than others. The indices developed may provide some clues, but they are generally scorecards. To determine the reasons for the outcomes would require a full-blown evaluation type assessment that is outside the scope of this study.¹

2. 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.

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 policy makers.
2.1. Elements of Good Governance

It has been observed that it is the quality of governance and not the type of political regime 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 the project performance of countries are largely determined by the overall capacity for administration or implementation.

These findings would seem to indicate the significance of the non-political and functional elements in the strategic interactions between government and citizens. Moreover, they highlight these fundamentals: accountability, transparency and predictability (Root, 1995). In like manner, the World Bank 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, Lander-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, 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, it refers to the flexibility of structures that would allow beneficiaries to improve program/project design and implementation. It also entails the establishment of criteria to measure the performance of local officials and the creation of oversight mechanisms to ensure that standards are met.


Macro-level 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. As such, 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 mis-spending 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 enhances 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.

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 non-government organizations or private sector representatives in decision-making 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, e.g., 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 non-differentiability 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 decision making. Transparency in decision making 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).

**Predictability, Presence of Legal Framework.** Predictability refers to the fair and consistent application of laws, regulations and policies. This 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."

**Efficiency of public sector.** A capable public sector is one which collects its revenues efficiently, and one which plans, programs, and budgets its expenditures soundly.

**Social development.** Good governance is one which promotes the health and well-being of its citizenry in a manner that is equitable.

**Sound economic management.** For Huther and Shah (1998), sound economic management may be observed through the government's outward orientation, central bank's independence, and the debt-to-GDP ratio.
Along the same lines, 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, non-traditional 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 (in lieu 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 should be designed such that the clients are empowered and become less dependent on government for their needs. Ownership of programs by the community should be facilitated by local officials through the self-help process. Non-governmental organizations and people's organizations should 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 excellence for 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

They should also be enterprising in the sense that they should look for innovative ways of creating revenue (e.g., 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

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²Contracting is not easy. Referring to Donahue (xxxx), 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.
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 governance, moreover, translates to effective structuring of the market place or creating incentives and alternatives/choices for people that lead to a certain vision. To make this possible, reforms ought to take place such as the eradication of red tape and restrictive budget procedures typical in bureaucracies. A simplification of rules and structures makes way for greater participation by the private sector.

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 foresight (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. There is a need to establish mechanisms to evaluate performance so that promotion is based on achievement. Compensation and other incentives which include opportunities to upgrade skills should be linked with successful program implementation.

**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 which 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."

Moreover, 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.

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3 Osborne and Gaebler pointed out that many times performance measurement achieves good results quite independently of the reward/incentive system.
Thus, decision-making 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, fire-fighting equipment for high-rise buildings, etc. (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-cost spillovers occur when the benefits/cost of a public service are realized by non-residents 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 municipality 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.

Optimal size of jurisdiction will vary with specific instances of economies scale and benefit-cost spillovers. 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.

According to Paderanga (1996), government has become more responsive to local conditions with the devolution of powers to local authorities. He claims that current problems with decentralization and devolution call for a systems audit and staff training program. This means there is need to properly identify what functions must be devolved including the specific levels and forms of such functions. Moreover, there is need to implement an effective training program that will rapidly upgrade the level of competence in local governments.

2.2 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
In the first measure, one or more physical work load 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 proxy indicator.

Hatry et al. (1992) caution that efficiency implies a certain level and quality of service. An increase in output-input ratio is not really an efficiency improvement 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 but, at times, also in physical terms. Gaffud (1997) contends that public sector outputs are

---

Type 3: Utilization Measures
- 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
- percentage of downtime of major fire equipment
- percentage of time fire crews are understaffed
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) remain elusive. Thus, input indicators as proxies for non-market 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 formulating a set of indicators to gauge the performance of government.

It was meant to measure the state as well as the perception of human well-being in the country for a particular short-term period. Mangahas (1976) then thought that the indices could be linked to specific programs of government to truly reflect the essence of the social indicators system. The said indicator system could thus be further developed as a basis to evaluate the actual performance of local government officials.

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, non-human productive resources, housing, utilities and the environment, public safety and justice, political values, and social mobility.

For each concern a limited number of measurable variables or 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

\[
\text{Index} = \frac{1}{n} \sum_{i=1}^{n} \text{PS}_i
\]

where \( \text{PS} \) is the average score on political awareness by respondents \( i \), and \( n \) is number of respondents. In turn,

\[
\text{PS}_i = \sum_{j=1}^{k} W_{ij}
\]

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, and it is 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 because of high expectations that were unfulfilled.

**Recent local government performance indicators.** Gaffud (1997) argues that the indicators to be formulated for local governance should not be unidimensional. Decentralization should not be viewed simply as the one-way process of transferring power and resources from the national government to local government units. He suggests that governance should be treated as an interactive system that brings together the state, local governments and civil society in a continuing dialogue across vertical and horizontal lines.
In the manner of Osborne and Gaebler (1992), Gaffud favors local governments (1) that experiment with organizational combinations featuring partnerships with national government agencies and civil society, (2) that continue to carry out their role as providers while national government agencies, the private sector and civil society may act as producers of basic services.

A distinction is made between the provision and production of basic services. Local governments act solely as providers. They could, of course, share or delegate the production function through assignment or contract to others, either to national government agencies, other public sector organizations, or private enterprises. As providers, local governments are concerned with "creating" the policy environment, making resources available, and directing resource use toward planned priorities.

In this context, Gaffud maintains that local governments have three main strategic objectives: to increase revenues; to improve the effectiveness of the communities with regard to service delivery and to ensure the right mix of policy and administrative initiatives for continuing decentralization.

Various indicators to gauge increased revenue generation have been proposed by Gaffud: tax effort, tax collection rates, ratio of local government revenues to total national revenue, ratio of internally generated revenues to total local government revenues and ratio of local taxes to total local government revenue.

Various indicators of effectiveness of service delivery at the community level have likewise been formulated: percentage of total local government expenditures for human development priorities, level of attainment of local governments in delivering devolved basic services (in health, public works, agriculture), extent of partnership in service delivery between local governments and civil society institutions, and number of functioning local school and health boards.

Gaffud notes that the policy and administrative environment should be ensured for continuing decentralization. This may be reflected in the following: share of local governments in total public sector budget, proportion of national agency budgets under the discretion of the regional development councils, partnership between national government agencies and inter-local government, consortium arrangements for implementation of devolved and non-devolved basic services, and number of projects proposed by local boards supported by regional field offices.

2.3. 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 is used to monitor the nation's economic health. 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 since.

**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 1991-1994, both expressed in 1985 prices.

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

\[
I_i = \frac{Actual X_i - Minimum X_i}{Maximum X_i - Minimum X_i}
\]

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:

\[
HDI = \frac{1}{3}(I_1 + I_2 + I_3)
\]

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.

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 ensuring 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 policy makers 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 which were formulated by an inter-agency group for the use of the Presidential Commission to Fight Poverty are examples of such indicators.

The minimum basic needs indicators cover three important areas of concern: survival, security and enabling needs. Indicators under each area are enumerated below:

Survival
* Health: infant mortality rate, child mortality rate
* Nutrition: prevalence of moderate and severe underweight, prevalence of acute and chronic malnutrition, prevalence of micronutrient deficiencies (anemia, endemic goiter, xerophthalmia), income above the food threshold
* Water and sanitation: proportion of households with sanitary toilet facilities, proportion of households with access to safe water supply

Security
* Income and security: income above the total poverty threshold, amount of household savings, employment or unemployment
* Shelter: proportion of households in makeshift houses
* Peace and order: crime incidence, incidence of armed encounters

Enabling Needs
* Basic education and literacy: elementary enrolment, rate of completion, basic and functional literacy
* Participation: membership in at least one area-based community organization, participation in formal electoral exercises

3. APPROACH AND METHODOLOGY

3.1. Overall Framework

As a general approach, this study first develops a conceptual framework that helps define the key observable dimensions of governance. Next, it further breaks 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 are delineated.

This study adapts the objective tree approach used by Gaffud (1997). Thus, overall development goal of the LGU is delineated as improved performance in social/human development. Three strategic objectives are, then, deemed essential to the achievement of this overall goal: (1) optimized resource support for human/social development concerns; (2) enhanced effectiveness/efficiency in social service delivery; and (3) accountability systems developed and installed (Figure 1).

In turn, each of these three strategic objectives are defined in terms of component elements or result packages (RPs). In particular, the "optimized resource support" objective is broken down into 3 RPs: revenue generation; revenue use; and, adoption of systems to sustain revenue generation and utilization. Similarly, the "effectiveness/efficiency in social service delivery" objective is supported by 1 RP: beneficiaries satisfaction with social services delivered. On the other hand, the "accountability" objective is further specified to include the following result packages: financial accountability systems developed and implemented; and micro-level accountability systems developed and implemented.

Section 4 presents in detail the conceptual basis for the choice of dimensions, principal elements of each dimension and performance indicators for each of these elements. This choice is largely driven by the governance concepts expounded in Section 2. 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 objective 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?

3.2. Data and Measurement

Data gathering. Most of the indicators listed in Figure 1 and Figure 2 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, 2 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 random 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, NGA heads 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: how specific, how quantifiable, how universal, how credible, how simple and acceptable the indicators are.

Specificity demands that the indicators provide information that are dis-aggregated 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 can 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 type responses. The latter includes, for example, indicators that relate to the presence/absence of certain modes of service provision or revenue generation.

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

6 In this sense, even citizen’s perception are quantifiable.
FIGURE 1
OBJECTIVE TREE FOR GOOD GOVERNANCE INDICATORS, VERSION 1

Development Goal

Improved LGU Performance In Social Development

Strategic Objective I
Optimized Resource Support for Human Priority Concerns

Strategic Objective II
Enhanced Effectiveness In Services Delivery

Strategic Objective III
Support Systems and Accountability Measures Installed

I.1. REVENUE GENERATION

I.1.1. Local revenue effort -- per capita local source revenue

I.1.2. Cost recovery effort -- ratio of Revenue to expenditure from Economic enterprise

I.2. REVENUE UTILIZATION

I.2.1. Per capita social service Expenditure

I.2.2. Social service expenditure Ratio -- ratio of social service Expenditure to total LGU Expenditure

I.3. ADOPTION OF SYSTEMS FOR INCREASED SUSTAINABILITY OF RESOURCE GENERATION AND UTILIZATION

I.3.1. Regularity in the conduct of General revision of schedule of market values

I.3.2. Annual Development Plan Approved by Sanggunian

II.1. BENEFICIARIES SATISFACTION WITH SOCIAL SERVICES PROVIDED

II.1.1. Beneficiaries’ net satisfaction rate with specific services provided

III.1. MACRO-LEVEL ACCOUNTABILITY SYSTEMS DEVELOPED AND IMPLEMENTED

III.1.1. Results of COA audit

III.2. MICRO-LEVEL ACCOUNTABILITY MEASURES IN PLACE

III.2.1. Presence of voice mechanism -- citizen participation in and empowerment of NGOs and barangays

III.2.2. Presence of exit mechanism -- use of market-oriented mechanisms in service delivery
FIGURE 2
OBJECTIVE TREE FOR GOOD GOVERNANCE INDICATORS, VERSION 2

Development Goal

Improved LGU Performance In Social Development

Strategic Objective I
Optimized Resource Support for Human Priority Concerns

Strategic Objective II
Enhanced Effectiveness In Services Delivery

Strategic Objective III
Support Systems and Accountability Measures Installed

I.1. REVENUE GENERATION
I.1.1. Local revenue effort -- per capita local source revenue
I.1.2. Cost recovery effort -- ratio of revenue to expenditure from economic enterprise

I.2. REVENUE UTILIZATION
I.2.1. Per capita social service expenditure
I.2.1. Social service expenditure ratio -- ratio of social service expenditure to total LGU expenditure

I.3. ADOPTION OF SYSTEMS FOR INCREASED SUSTAINABILITY OF RESOURCE GENERATION AND UTILIZATION
I.3.1. Regularity in the conduct of general revision of schedule of market values
I.3.2. Annual Development Plan Approved by Sanggunian

II.1. ADEQUACY OF SERVICES PROVIDED
II.1.1. Programming of service delivery inputs in compliance with national benchmarks

II.2. STRONG LGU-NGA COOPERATION
II.2.1. Presence/absence of NG-LGU cooperative agreements

III.1. MACRO-LEVEL ACCOUNTABILITY SYSTEMS DEVELOPED AND IMPLEMENTED
III.1.1. Results of COA audit

III.2. MICRO-LEVEL ACCOUNTABILITY MEASURES IN PLACE
III.2.1. Presence of voice mechanism -- participation of NGO representatives in local special bodies
III.2.2. Presence of exit mechanism -- use of market-oriented mechanisms in service delivery
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. Lastly, acceptability with the various stakeholders is validated in the workshops that were conducted in the course of this study.

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 is constructed corresponding to each of the strategic objectives. Furthermore, the composite indices, thus, derived are consolidated into an overall governance index.

Initially, equal weights are assigned to the different indicators (and different result packages). These weights are, then, subjected to validation during the sub-national 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 Figure 1 and Figure 2, as well as the construction of the composite indices were pilot tested in 3 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.

*   High HDI: Cavite PLGU, Trece Martirez CLGU and Noveleta MLGU
*   Medium HDI: Davao del Norte PLGU, Davao CLGU, and Mabini MLGU
*   Low HDI: Antique PLGU, San Jose MLGU, and Hamtic MLGU

4. CONSTRUCTION OF A GOVERNANCE INDEX

4.1. Choosing the Key Dimensions of Governance

As local governments make the painful passage to a decentralized set-up, 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 possessed of 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 starts 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, i.e., how efficient and effective LGUs are in bringing about social/human development.

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7 Simplicity is largely assured by the objective tree approach that is followed in this study.
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 can expedite social development, if enforced consistently. It is a necessary condition for good governance. 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 are 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. But to chart the progress of LGUs at each stage, indicators are needed 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.

(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 non-traditional 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.

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\(^8\) Admittedly, 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.
4.2. 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-a-vis competing demands. With devolution, LGUs are faced with greater expenditure responsibilities. 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.

At the same time, LGUs now have greater responsibility in providing human development concerns with the devolution of many health and social welfare functions previously discharged by national government agencies. To a large extent, the ability of LGUs to provide adequate social services will be determined by the amount of resources they allocate to these sectors.

However, 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 are put in place.

To sum up, the "optimized resource support" objective is broken down into 3 result packages: revenue generation; resource utilization; and adoption of systems and processes for increased sustainability of revenue generation and utilization efforts.

In turn, 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.

**Revenue Generation.** Local revenue effort may be measured in numerous ways. Among others, Gaffud (1997) suggests 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.

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 (and, therefore, taxable) 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. Because of the absence of more relevant data on the local revenue base, population is used as a proxy for the same.

Cost recovery in key economic enterprises or service sector is measured as the ratio of actual revenues from the 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. On the other hand, 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 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.

Lastly, it is proposed that the result package for "adoption of systems for revenue generation and utilization" 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 as a primary 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 could be manifested through enhanced effectiveness and efficiency in the delivery of social services.

It should be emphasized that 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 so that they are able 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 national government track) or where national 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 appropriately gauged by using any one of the following approaches: (1) use of efficiency measures; (2) use of measures of client satisfaction, and (2) use of effectiveness measures.

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

As already noted, public sector output is not easy to define. Moreover, 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/dis-satisfaction with overall LGU management. It should be pointed out that the cost of gathering data using attitudinal/perception surveys is considerably higher compared with other approaches which make use of administrative data.
Service Adequacy. Alternatively, Strategic Objective II may be measured by evaluating the effectiveness of basic social services delivered. 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 national 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.

Strong linkages with national government agencies, on the other hand, can help reduce fiscal imbalances and, in the process, can release more resources for increased local effort in social development. National-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 non-excludable), 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.

In practice, a strong vertical linkage with national government agencies may be indicated by the presence of agreements for central-local cooperation in service delivery. 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.

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 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.

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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.
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 national 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 costs 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 national agencies.

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

Initially, it was thought that the summary result of the COA audit (which indicates whether the auditor assigned to the LGU renders a favorable, adverse qualified or no opinion as

---

\(^{10}\) The focus of the financial and compliance audit is on the validity and the propriety of transactions and fairness of accounts presentation.
The inconsistencies refer not only to the presence/absence of documentary evidence but also to the magnitude of exposure to “inappropriate transactions.” For instance, the auditor of Hamtic, Antique rendered a favorable opinion of the financial statements of the municipality for 1996 despite the absence of a year-end trial balance and physical inventory of assets whereas the auditor of Noveleta, Cavite rendered a qualified opinion on the fairness of the presentation of the financial statements due to the 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 of its financial statements since it 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 of its financial statements given that its unliquidated cash advances amounted to P3.4 million and 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 exert pressure on service providers to perform well (i.e., the use of “voice”) 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 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.

The extent of citizen participation in LGU affairs may be measured in two alternative ways. One way is through the use of experiential surveys whereby residents are asked about (1)
their participation in NGOs and barangay affairs; and (2) 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, the indicators selected are perception measures: 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).

NGOs are civil society structures that interface with LGUs on a diversity of issues. On the other hand, 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 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 that 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 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 participation of civil society institutions 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 should be emphasized that they may be misleading 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).

4.3. Quantification and Measurement

Overall, the performance indicators that chosen are broad enough to be adaptable and thus can be “applied” in most local settings. The tradeoff is loss of specificity, since LGUs differ markedly in terms of both their institutional capabilities and their structures. The indices may not be able to reflect these differences although some of the indicators chosen have been defined relative to specific functions that are unique to the relevant 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 barangany 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.

For the indicators presented in Figure 1 which makes use of perception surveys, the costs of data collection although much higher is still reasonable. Multistage sampling provides a way to cut costs.

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 2 times the relevant national average. This implies that LGUs whose performance with respect to these indicators are equal to the national average get a score of 0.5. To illustrate, local revenue effort index is defined as:

\[ loc \text{ rev eff index}_i = \min \left( 1, \frac{total \text{ loc rev}_i / popn_i}{2 \times natl \text{ ave per pax loc rev}} \right) \]

where \( total \text{ loc rev}_i \) refers to total local source revenue of LGU I; \( popn \) refers to population of LGU; \( natl \text{ ave per pax loc rev} \) 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:

\[
servinpadeqindex_i = \min \left( 1, \frac{natlstnd}{(no\ trgt\ clnt_i)(act\ no\ persnl_i)} \right)
\]

where natlstnd refers to the national benchmark; 
no trgt clnt, refers to the actual number of target clientele in LGU i; 
act no persnl, refers to the actual number of relevant personnel in LGU i.

The COA audit index is defined as:

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

Similarly, the COA audit index is defined as:

if \( amt\ disallow_i < tot\ expd_i \), and

\[
COA\ audit\ index_i = 1
\]

if \( amt\ disallow_i > tot\ expd_i \), 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:

\[
NGO\ part\ index_i = \min \left( 1, \frac{act\ no\ NGO\ rep_i}{prescr\ no_i} \right)
\]

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

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

The overall governance quality index (GQI) constructed for this study was derived by consolidating the composite indices for each of the 3 Strategic Objectives which in turn were obtained by creating a composite index 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).
4.4. Results of Pilot Tests

Two sets of indices were computed for the 9 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 provide 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.\footnote{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.}

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).\footnote{Note that the HDI estimates are available at the provincial level only.} The same finding holds whether one is looking at version 1 or version 2 of the GQI. However, version 2 of the GQI tends to be higher compared with the version 1 although the ranking of LGUs remain the same (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 or SOII2 (i.e., in terms of service input adequacy and LGU-NGA cooperation index). The fit is not be perfect but the relationship between the alternative performance indicators for Strategic Objective II appears to be fairly strong (Figure 5).

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 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 its quality of citizens' participation although it is able to provide some indication of its quantity.
## Table 1
Governance Index, Version 1

<table>
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<tr>
<th>Province</th>
<th>Cavite</th>
<th>Antique</th>
<th>Davao Nte</th>
<th>Province</th>
<th>Cavite</th>
<th>Antique</th>
<th>Davao Nte</th>
<th>City</th>
<th>Davao City</th>
<th>Noveleta</th>
<th>San Jose</th>
<th>Antipe</th>
<th>Mabini</th>
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<tr>
<td><strong>OVERALL GOVERNANCE INDEX – GQI1</strong></td>
<td>0.718</td>
<td>0.585</td>
<td>0.604</td>
<td>0.789</td>
<td>0.717</td>
<td>0.763</td>
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<td>0.688</td>
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<td>0.587</td>
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<td>0.352</td>
<td>0.578</td>
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<td>0.371</td>
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<td><strong>II. Effectiveness/Efficiency in Social Service Delivery Index – SOII1</strong></td>
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<td>II.1.3. Net Satisfaction Rate with RHU/BHS</td>
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<tr>
<td>Table 2</td>
<td>Governance Index, Version 2</td>
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FIGURE 3
GOVERNANCE QUALITY INDEX AND HDI

FIGURE 4
COMPARISON OF GQI1 AND GQI2
FIGURE 5
COMPARISON OF SOII1 AND SOII2

FIGURE 6
COMPARISON OF PART I1 AND PARTI2
5. 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 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. On the other hand, these indicators will 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. 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 that hinges on several factors. First, the chosen institution should be credible to the various stakeholders: LGU officials, central government bureaucrats, NGOs/POs, and local constituents. In this regard, it is important to guard against the rating institution introducing some 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 major 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 Leagues, at this point in time, are not adequately staffed to engage in an exercise of this nature. Moreover, the Leagues 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) are possible institutional homes for the measurement of the governance quality index. However, LGUs may not take kindly to having any national government agency rate their performance since such 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 understaffed 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 Leagues 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.

6. 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

\(^{13}\) 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.
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 SOII. \(^{14}\)

* Review of the specific social services that LGUs deliver on a regular basis so that the indicators be 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-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.

\(^{14}\) 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.


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Appendix 1. Questionnaire/Survey Instruments

BARANGAY_______________________ BARANGAY_______________________
PROVINCE/CITY/MUNICIPALITY:_______________________
PROVINCE/CITY/MUNICIPALITY:_______________________
Date:__________________                                                   Date:__________________
ENGLISH

I. SATISFACTION WITH OVER-ALL MANAGEMENT
1. 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:
2. Are you aware that the CITY/MUN is operating a health center/RHU/BHS?
3. Have you or any member of your family availed of the services of the health center/RHU/BHS?
4. If the answer in #3 is YES, Are you satisfied with the service you received?
5. Are you aware that the CITY/MUN is providing social welfare services (day care centers/feeding centers)?
6. Have you or any member of your family availed of the said social welfare services?
7. If the answer in #6 is YES, Are you satisfied with the service you received?
8. Are you aware that the CITY/MUN is providing agricultural extension services? (farm technician’s assistance, livestock vaccination)
9. Have you or any member of your family availed of the said agricultural services?
10. If the answer in #9 is YES, Are you satisfied with the service you received?

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

III. EMPOWERMENT

FOR PROVINCE/CITY/MUNICIPALITY: 48

TAGALOG

I. SATISFACTION WITH OVER-ALL MANAGEMENT
1. Nasiyahan ka ba sa mga pagbabagong ginawa ni GOB/ MAYOR para sa buong probinsiya/bayan?
   a. GOBERNOR
   b. MAYOR

II. AWARENESS/UTILIZATION/SATISFACTION WITH SERVICES
FOR CITY/MUNICIPALITY:
2. Mayroon bang health center/barangay health unit sa inyong lugar?
3. Ikaw ba o’ isa sa mga kasama mo sa bahay ay nakapagpagamot na sa health center/barangay health unit?
4. Kung ang sagot sa #3 ay OO, nasiyahan ka ba sa serbisyo ng health center/barangay health unit?
5. May day care center o’ feeding center sa inyong lugar?
6. Ikaw ba o’ isa sa mga kasama mo sa bahay ay nakapasok sa day care center o’ nakapunta sa feeding center?
7. Kung ang sagot sa #6 ay OO, nasiyahan ka ba sa serbisyo ng day care center/feeding center?
8. Mayroon ba dito sa CITY/MUN na mga tulong na pang agrikultura tulad ng indyekson para sa hayop/tulong ng teknisyan.
9. Ikaw ba o’ isa sa mga kasama mo sa bahay ay nakatanggap na ng tulong katulad nito?
10. Kung ang sagot sa #9 ay OO, nasiyahan ka ba sa tulong na iyong natanggap?

FOR PROVINCE:
11. Mayroon bang hospital sa pampubliko dito sa Probinsiya?
12. Ikaw ba o’ isan sa mga kasama mo sa bahay ay nakapapagamot dito?
13. Kung ang sagot sa #12 ay OO, nasiyahan ka ba sa serbisyo ng hospital?
14. Mayroon bang social services na ibinibigay ang pamahalannya ng Probinsiya tulad ng disaster relief para sa mga nasalanta ng bagyo/ bahay para sa mga bata sa lansangan at inabuso/kababahan?
15. Ikaw ba o’ isa sa mga kasama mo sa bahay ay nakatanggap ng ganilong uri ng tulong?
16. Kung ang sagot sa #15 ay OO, nasiyahan ka ba sa tulong ng aiyong natanggap?
17. Mayroon ba dito sa CITY/MUN na mga tulong na pang-agrikultura katulad ng demo farm, farm breeding station?
18. Ikaw ba o’ isa sa mga kasama mo sa bahay ay nakatanggap na ng tulong katulad nito?
19. Kung ang sagot sa #18 ay OO, nasiyahan ka ba sa tulong na iyong natanggap?

III. EMPOWERMENT

FOR PROVINCE/CITY/MUNICIPALITY:
I. SATISFACTION WITH OVER-ALL MANAGEMENT

1. Nakontento ka man sa mga pagbag-ong nga gihimo ni Gob/Mayor para sa bug-os nga probinsiya/banwa?
   a. GOBERNOR
   b. MAYOR

II. AWARENESS/UTILIZATION/SATISFACTION WITH SERVICES

FOR CITY/MUNICIPALITY:

2. May-aral 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 pabalong sa amo nga health center/barangay health unit?

4. Kon ang sabat sa #3 ay HU-O, nalipay o nakuntento ka man bala sa ila 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, nalipay o nakuntento ka man bala sa serbisyo sang inyo day care center/feeding?

8. May ara bala din sa inyo siyudad/baranwa sang bulig pang-agrikultura tulad sang indyeksiyon para sa mga hayop/ bulig sang teknisyan?

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 nakuntento ka man bala sa bulig nga mo nabaton?

   FOR PROVINCE:

11. May-ara bala nga hospital pampubliko diri sa probinsya?

12. Ikaw bala o isa sa mga upod mo sa panimalay nakaagi na pabalong ditto?

13. Kon ang sabat sa #12 ay HU-O, nalipay o nakuntento ka man bala sa ila serbisyo?

14. May ara bala social services nga ginhatag ang gobyerno sang Probinsya katulad sang bulig para sa mga naalatian sang bagyo/ balay para sa mga palabuy-taboy ukon wala sang maistaran nga kabataan ukon para sa mga inabuso nga kababahan?

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 nakuntento ka man bala sa bulig nga imo nabaton?

17. May-ara bala diri sa inyo siyudad/baranwa sang mga bulig pang-agrikulta katulad sang agri 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 nakuntento ka man bala sa imo nabaton nga bulig?

III. EMPOWERMENT

FOR PROVINCE/CITY/MUNICIPALITY:
Appendix 2. Preliminary List of Performance Indicators

Development Goal

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<td>Optimized Resource Support for Human Priority Concerns</td>
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I.1 REVENUE GENERATION
I.1.1 Tax Effort
I.1.2 Growth in Tax Collection Rates in Relation to Growth in Tax Base
I.1.3 Ratio of Internally Generated Revenue to Total LGU Income
I.1.4 Ratio of Local Taxes to Total LGU Income
I.1.5 Collection Efficiency of RPT
I.1.6 Ratio of RPT to Total Local Revenue
I.1.7 Ratio of Business Taxes to Total Local Revenue
I.1.8 Ratio of Non-Tax Revenues to Total LGU Income
I.1.9 Ratio of IRA to Total LGU Income
I.1.10 Ratio of Other National Allotments (e.g. Share in National Wealth, Tobacco Tax, and PAGCOR Revenues to Total LGU Income)
I.1.11 Per Capita Local Source Revenue
I.1.12 Ratio of Local Source Revenue to Total LGU Expenditure
I.1.13 Regularity in the conduct of

II.1 OUTPUTS AND INPUT-OUTPUT RATIOS FOR BASIC SERVICES
II.1.1 Number of Target Clientele Per Facility
II.1.1.1 Health Population/RHU or BHS Population/Hospital Beds
II.1.1.2 Social Welfare Children Aged 3-5/Dare Care Centers
II.1.2 Number of Target Clientele per Technical Personnel
II.1.2.1 Health Population/Doctor Population/Nurse Population/Midwife
II.1.2.2 Social Welfare Population/DSWD Worker Children Aged 3-5/Day Care Worker
II.1.2.3 Agriculture Population/Agricultural Technician
II.1.3 Beneficiaries/Technical Personnel
II.1.3.1 Health Clients Served/Doctor Clients Served/Nurse

III.1 OPERATING AND FINANCIAL ACCOUNTABILITY SYSTEMS DEVELOPED AND IMPLEMENTED
III.1.1 Accounting System Properly Functioning
III.1.2 Integrity of External Audit System Upheld
III.1.3 Conduct of Public Hearings Before Passage of Local Budget Ordinance
III.1.4 Ratio of NGO Member to Required Number of Member in PBAC
III.1.5 Frequency of Meetings of PBAC

III.2 POLICY AND LEGAL FRAMEWORK FOR INNOVATIVE RESOURCE MANAGEMENT AND SERVICES DELIVERY DEFINED AND ENFORCED
III.2.1 Adoption of Systems for Inter-Local Government Collaboration
III.2.2 Adoption of Systems for LGU-NGA Cooperation in Service Delivery
the General Revision of Schedule of Market Values

I.2 REVENUE UTILIZATION
1.2.1 Ratio of Total Social Expenditures to Total LGU Expenditures

I.2.2 Ratio of Human Priority Expenditures to Total LGU Expenditures
1.2.3 Ratio of Social Expenditure to Total LGU Income
1.2.4 Ratio of Human Priority Expenditure to Total LGU Income
1.2.5 Per Capita LGU Social Expenditure
1.2.6 Per Capita LGU Human Priority Expenditure
1.2.7 Per Capita Total LGU Expenditure
1.2.8 Updated Annual Development Plan Approved by Sanggunian
1.2.9 Improved Budget System in Place

I.3 REVENUE AND SUPPORT SYSTEM DIVERSIFICATION
1.3.1 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
   f) Revenue from Slaughterhouse to Public Enterprise

III.3 MICRO-LEVEL ACCOUNTABILITY AND TRANSPARENCY MEASURES IN PLACE
III.3.1 Citizen's Perception of LGU Management (net Satisfaction Rate)
III.3.2 Citizen's Participation Rate
   a) Participation in NGOs
   b) Participation in Barangay Affairs
III.3.3 Citizen's Empowerment Rate
   a) Perception of NGO Influence on LGU Affairs
   b) Perception of Barangay Influence on LGU Affairs

II.2 AWARENESS, UTILIZATION, AND LEVEL OF SATISFACTION OF BENEFICIARIES WITH SERVICE DELIVERED (From the survey)
II.2.1 Awareness of the: (% to Total)
   Health Centers/RHUs
   Hospital
   Day Care
   Other Welfare Services
   Agriculture/Fishery Related Services
II.2.2 Availment of the following Services/Facilities (% to Total)
   Health Centers/RHUs
   Hospital
   Day Care
   Other Welfare Services
   Agriculture/Fishery Related Services
II.2.3 Satisfaction of the following Services/Facilities (% Net Satisfied)
   Health Centers/RHUs
   Hospital
   Day Care
   Other Welfare Services
   Agriculture/Fishery Related Services

II.3 USE OF NON-TRADITIONAL MODES OF SERVICES DELIVERY LIKE FRANCHISING AND OTHER CONTRACTING ARRANGEMENTS

II.4 EXTENT OF PARTICIPATION OF CIVIL SOCIETY
Expenditure

g) Revenue from Public Utilities to Public Enterprise Expenditure

I.3.2 Community-Based Service Support System such as:
   a) Health Insurance
   b) Provident Fund
   c) Cooperative

INSTITUTIONS IN SERVICE DELIVERY

II.4.1 Number of NGOs, POs, and Business Firms Engaged by an LGU in Service Delivery

II.4.2 Number of NGOs, POs, and Business Firms Engaged in Monitoring and Evaluation of LGU Basic Services

I.3.3 Use of Market-Oriented Mechanisms like BOT, Franchising, Service Contract Arrangements, Vouchers, and Bond Floatations
   a) BOT
   b) Bond Floatation
   c) Privatization/Management Contract
   d) Bank Loan
   e) Others

II.5 EXTENT OF PARTICIPATION OF CIVIL SOCIETY INSTITUTIONS IN LOCAL SPECIAL BODIES

II.5.1 Proportion of NGO Membership to Total Composition of Local Development Councils (LDCs)

II.5.2 Frequency of Meeting of Local Development Council

II.5.3 Ratio of NGO Member to Required Number of Member in Local School Board (LSB)

II.5.4 Frequency of Meetings of LSB

II.5.5 Ratio of NGO Member to Required Number of Member in Local Health Board (LHB)

II.5.6 Frequency of Meetings of LHB
Appendix 3. Formulae Used to Compute the Different Indices

1. Local Revenue Effort

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

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

\[ \text{Cost reco index}_i = \min \left( 1, \frac{\text{act ent rev}_i}{\text{act ent expd}_i} \right) \]

\[ \frac{2 \cdot \text{natl ave cost reco}}{\text{natl ave cost reco}} \]

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 \(i\);
natl ave cost reco refers to national average cost recovery ratio in specified economic enterprise.

3. Per Capita Social Service Expenditure Index

\[ \text{Soc serv expd index}_i = \min \left( 1, \frac{\text{act soc serv expd}_i}{\text{popn}_i} \right) \]

\[ \frac{2 \cdot \text{natl ave soc serv expenditure}}{\text{natl ave soc serv expenditure}} \]

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

\[ \text{Soc serv expd ratio}_i = \min \left( 1, \frac{\text{act soc serv expd}_i}{\text{tot LGU expd}_i} \right) \]

\[ \frac{2 \cdot \text{natl ave soc serv expd ratio}}{\text{natl ave soc serv expd ratio}} \]

where tot LGU expd\(_i\) refers to total expenditure of LGU \(i\).
5. **General Revision in Schedule of Market Values Index**

Gen rev index; = 1, if general revision of schedule of market values was approved by Sanggunian in 1996; 
= 0, otherwise.

6. **Annual Development Plan Index**

Ann dev pln index; = 1, if Annual Development Plan for 1996 was approved by Sanggunian; 
= 0, otherwise.

7. **Net Satisfaction Rate with Specified Services Provided**

Net satisfaction rate = \( \frac{1}{N} (n_s - n_{ns}) \times 100 \)

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**

\[
COA\, audit\, index; = 1 - \left( \frac{amt\, disallow;}{tot\, expd;} \right)
\]

if \( amt\, disallow; < \, tot\, expd; \) and

\[
COA\, audit\, index; = 1
\]

if \( amt\, disallow; > \, tot\, expd; \) and

where \( tot\, expd; \) refers to total expenditure of LGU i; 
\( amt\, disallow; \) refers to amount of current year disallowances of LGU i.

9. **Index of Citizens' Participation in NGOs**

\[
Citi\, part\, rate \in NGO = \frac{n_{pNGO}}{N}
\]

where \( n_{pNGO} \) 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**

\[
\text{Citi part rate } \in \text{brgy} = \frac{n_{\text{brgy}}}{N}
\]

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

11. **Index of Citizens' Perception of NGO Empowerment**

\[
\text{Index of NGO influence on LGU affairs } = \frac{n_{\text{NGO}}}{N}
\]

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

12. **Index of Citizens' Perception of Barangay Empowerment**

\[
\text{Index of barangay influence } = \frac{n_{\text{brgy}}}{N}
\]

where \( n_{\text{brgy}} \) 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**

\[
serv\ inp\ adeq\ index_i = \min\left(1, \frac{\text{natl std}}{(\text{no trgt cntl}_i)/(\text{act no persnl}_i)}\right)
\]

where

- natl std refers to the national benchmark;
- no trgt cntl\(_i\) 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**

\[ NGO\ part\ index_i = \min \left( 1, \frac{act\ no\ NGO\ rep_i}{prescr\ no_i} \right) \]

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.
OBJECTIVES

The objectives of the national workshop were:

- To elicit comments/recommendations regarding the proposed governance indicator system; and
- To generate a consensus on the specific action points for government agencies and other sectors to institutionalize the good governance indicator system.

PLENARY I

Clarificatory questions on the objectives and methodologies of the study were taken up in the plenary.

1. On the query as to what services were included in the survey, Dr. Manasan informed the body that the questionnaire contained specific questions for the services that were identified as primary responsibilities of LGUs.

2. It was suggested that the alternative delivery system be subsumed under Strategic Objective 2, to fall under enhancement of the delivery of basic services, rather than in Strategic Objective 3.

   In response, Dr. Manasan explained that the study group vacillated on whether the study should include alternative delivery systems either under Objective 3 or Objective 2. She informed the body that the main reason for including it in Objective 3 is based on the literature on accountability where the civil society exercises "voice" and other exit mechanisms. She also agreed, however, that one can be put over the other.

3. Regarding the proposition that the survey be made region-wide, it was noted that there is really no concept of governance for a region as a whole, despite the presence of the Regional Development Councils (RDCs). It was also pointed out that the RDCs cannot be made accountable for the management of resources for a whole region.

   Dr. Manasan explained that a region-wide measurement of the indicators is intended to track these indicators in all the provinces and cities of the region in order to get a region-wide perspective. This will enable the LGUs to compare themselves with one another.

   Dr. Gonzalez assured the body that they did a review of literature to find out which features of governance would suit the Philippine situation, specifically the local government. He noted that a log-frame type of framework was used in the study. He also clarified that the hierarchy of the indicators was fashioned out of a logical sequencing of the indices.
4. Dir. Esguerra pointed out the need for a common concept of social services. She cited the necessity of providing basic health services at the best quality for all.

In response, Dr. Manasan justified the inclusion of the services based on the functions identified in the Local Government Code. Given that mandate, the next question addressed was the concept of effectiveness. She further explained that the analysis took off from a survey asking people what they think the LGU priorities should be.

Dir. Esguerra noted that the HDN has determined the important services which should be used for policy advocacy.

Dr. Gonzalez clarified that it is the curative rather than preventive services that were delegated to the provincial LGUs. The preventive services were lodged at the municipal LGUs. Therefore, their group focused at the municipal level because that is where most of the results in preventive services can be obtained.

**WORKSHOP OUTPUTS**

**GROUP A**

Group A was tasked to:

1. Provide the operational definition of ACCEPTABILITY of the Governance Quality Index (GQI) at the local level
2. Discuss the acceptability of the indicators; and
3. Identify the advantages and disadvantages of adopting the weight system in measuring governance

**ISSUES AND POINTS RAISED**

A. Definition of Acceptability of the GQI

- The acceptability of the GQI should cater to four dimensions: 1) social; 2) political; 3) financial; and 4) technical. The social dimension would refer to acceptability of the index by majority of the citizenry. Political acceptability on the other hand, would refer to acceptability of the index by the powerholders or the public officials. The third dimension would require the system to be acceptable to resource allocators and/or funders. Finally, technical acceptability is equated with acceptability to the academe. Hence, the acceptability of the GQI will hinge on all stakeholders in local governance.

B. Acceptability of the Set of Governance Indicators

- It was observed that the Governance Quality Index (GQI) can be correlated with the Human Development Index (HDI).

- Comments on the set of indicators (having integrated the four dimensions of acceptability):
• Social - all indices were deemed to be socially acceptable
• Political - with regard to Revenue Generation, it was suggested that 1.1.2 (cost recovery effort) be deleted and instead, use the revenue to cost ratio. To elevate the purpose of the study, it was suggested that outcome indicators be used. Timeliness of Commission on Audit reports must also be requested.
• Technical - the present governance indices can be correlated with other indices (e.g., HDI). It should be validated whether this set of indicators actually reflects what the study intends to measure.

C. Use of a Weight System

• The use of principal component analysis to discover weights was suggested.
• The data gathered must be used to determine appropriate cluster of variables.
• It was proposed that the study develop individual sub-indices for each strategic objective.

GROUP B

Group B was tasked to:
1. Validate the usefulness of the set of indicators;
2. Comment on the proposed institutional arrangements; and
3. Identify the means for generating financial support

ISSUES AND POINTS RAISED

A. Usefulness of the Indicators

• Some indicators may not be fair given that some functions are not yet fully devolved to LGUs.

• It may be too early to judge LGUs by these indicators. The national government is still too involved in setting up priorities. Also, the priorities of the national government may not conform to the priorities of the local government.

• Timing should not be a major problem. It can serve as a challenge to LGUs to catch up. With these indicators, the civil society can concretely determine the local government's weak points and areas for improvement. This issue can be used as well in gap analysis.

• It must be noted that LGUs have the authority and capability to mobilize resources internally. These indicators can then monitor accountability of service delivery.

• The purpose of the indicators is manifold: 1) for performance assessment; 2) to aid gap analysis which can be used in decision-making; and 3) civil society advocacy as incentive for behavior change.

• As a monitoring tool, it is advantageous to extend the use of these indicators to monitor the performance of the national government.
• These indicators can be incorporated in the determination of the Internal Revenue Allotment. Local government performance should be added to the present criteria of land area, population, etc.

But this may not be advisable since LGU behavior could then be oriented towards influencing national government decision. (on the IRA)

It must be clear that these indicators should promote good politics.

• The study may contribute changes/additions to the functions of LGUs. The final assessment can provide inputs to the ongoing amendment of the Local Government Code.

• DILG has a similar study, undertaken in cooperation with the Local Government Center of the UP CPA: The LGU Capability Classification Scheme. USAID and DILG will provide copies of their studies which are relevant to this project.

B. Proposed Institutional Arrangement

• In choosing the best institution/s where the system is to be lodged, the following criteria must be considered: 1) credibility, 2)sustainability, 3)technical capability, 4)local presence, and 5)mmandate.

• If the actual implementation of the system is to be lodged at the national and/or local government, a problem regarding public perception may arise. It should be noted that the system also aims to improve LGU behavior and performance. And for behavior to be influenced, the database must be credible.

• It is advisable to have as many players as possible to best reflect local reality.

• Other institutions such as the SWS, NGOs, and the academe can be contracted for quality control functions and training.

• PSSC is a possible implementing institution since it can mobilize affiliates in the academe. As a consortium of academic institutions, this can be a part of their mission area/e.

C. Financing Sustainability

• It was suggested that a multi-party type of arrangement be formed where the academe, NGOs, NG/LGs and other coordinating agencies are represented.
• Marketing of the system to universities and/or other institutions which may benefit from this set of measures of LGU performance was proposed.

• Piloting the mechanism could help achieve the above suggestions.

D. Recommendations

• Ensure consistency and comparability of indicators by having multi-sectoral consensus on weights and priorities. Furthermore, the set of indicators must undergo national standardization.
• Lodge the implementation of the system with help of the academe.
• Operate using multi-sourced funding for sustainability.
• Pilot test for continuous advocacy to see if present arrangement will work. Pilot the new system (factoring in all issues).
• Version 1 of the study is preferred.

Plenary 11

• The workshop outputs were presented. The body adopted the recommendations of the workshop groups as presented.
• Dir. Esguerra recommended that institutions like Land Bank which stand to benefit from an LGU Performance Indicator System can be tapped for funding.
• Following the recommendations of Group B, a project proposal for the pilot case of the Indicator system would have to be drafted.
• Ms. Ricasio suggested that the outputs of the workshop be annexed to the final revision of the paper.

Next Steps

• NEDA proposed to convene a meeting with potential donors (UNDP, ADB, USAID), the Sustainable Human Development project personnel and other stakeholders to discuss the feasibility of piloting the governance indicator system in selected regions.
• Dr. Cynthia Rose Banzon-Bautista committed to continuously advocate for the adoption of the governance indicator system within the HDN
Programme

8:00 Registration
8:30 The Philippine National Anthem
8:35 Welcome Remarks
     Dr. Cynthian Roze Banzon-Bautista
     Vice-President, HDN
8:40 Presentation of the Study
     Dr. Eduardo Gonzalez
     President, DAP
     Dr. Rosario G. Manasan
     Research Fellow, PIDS
9:30 Coffee Break
9:45 Workshop Mechanics
     Ms. Marie Antoinette Guillermo
     Ms. Maria Herminia Soriano
     DAP
10:00 Workshop Proper
12:00 Lunch
1:00 Presentation of Workshop Outputs
     Group Rapporteur
1:30 Open Forum
     Dir. Erlinda M. Capones
     NEDA-SDS
2:00 Closing Remarks
     Dr. Cynthia Roze Banzon-Bautista
Annex B

PARTICIPANTS

There were a total of 43 participants from the government, academe, nongovernment, and international organizations distributed as follows:

### Academe
- Ms. Henedina Razon-Abad (AdMU)
- Ms. Susan Concordo (DLSU)

### National Government
- Ms. Charmaine Caido (DILG-BLGD)
- Ms. Ma. Fe Cabral (NAPC)
- Dir. Eriito Pardo (DOF-BLGF)
- Dr. Imelda Ben (DOH)
- Ms. Erlinda Reyes (COA)
- Ms. Villaflor Fernandez (COA)
- Dir. Josefina Esguerra (NEDA-PIS)
- OIC Dir. Virgilio Sallentes (NEDA-MS)
- OIC AD Venusto Briones (NEDA-MS)
- Ms. Amy Canarejo (NEDA-PIS)
- Ms. Eredulyn Lucero (NEDA-SDS)
- Mr. Lore Aguilar (NEDA-SDS)
- Mr. Romulo Miral (CPBO)
- Dr. Gonzalo Jurado (PIDS)
- Dr. Eduardo Gonzalez (DAP)
- Ms. Marie Antoinette Guillermo (DAP)
- Ms. Maria Herminia Soriano (DAP)

### Local Government
- Mr. Rollie Fabi (Leage of Provinces)
- Mr. Jomar Olegario (Leage of Vice Governors)

### Non-government/International Organizations
- Dr. Cynthia Rose Banzon-Bautista (HDN)
- Mr. Isagani Serrano (PRRM)
- Dr. Eduardo Campos (ADB)
- Ms. Jana Grace Ricasio (UNDP)
- Mr. Clark Soriano (UNDP)
- Ms. Belle Evidente (UNDP)
- Ms. Brigida Jayme (UNDP)
- Mr. Philip Schwehm (UNFPA)
- Ms. Diane Repall (USAID-ARD/GOLD)
- Ms. Ramona Jimenez (PSSC)
<table>
<thead>
<tr>
<th>Name</th>
<th>Department</th>
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<tr>
<td>Dr. Rosario Manasan</td>
<td>PIDS</td>
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<tr>
<td>Mr. Ross Quisao</td>
<td>PIDS</td>
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<td>Ms. Lucy Melendez</td>
<td>PIDS</td>
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<tr>
<td>Ms. Eden Villanueva</td>
<td>PIDS</td>
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<tr>
<td>Ms. Analyn Manuel</td>
<td>PIDS</td>
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<td>Dir. Erlinda M. Capones</td>
<td>NEDA-SDS</td>
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<td>AD Felizardo Virtucio</td>
<td>NEDA-SDS</td>
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<td>Mr. Napoleon Imperial</td>
<td>NEDA-SDS</td>
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<tr>
<td>Ms. Aleli Rosario</td>
<td>NEDA-SDS</td>
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<tr>
<td>Ms. Susan Carandang</td>
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<tr>
<td>Ms. Joan Santiago</td>
<td>NEDA-SDS</td>
</tr>
</tbody>
</table>
**GROUP A PARTICIPANTS**

1. Dina Razon-Abad  
   AdMU  
2. Cynthia Banzon-Bautista  
   HDN  
3. Venusto Briones  
   NEDA-MS  
4. Eduardo Campos  
   ADB (Group Rapporteur)  
5. Susan Carandang  
   NEDA-SDS  
6. Pinky Esguerra  
   NEDA-PIS  
7. Napoleon Imperial  
   NEDA-SDS  
8. Gonzalo Jurado  
   PIDS  
9. Lyn Lucero  
   NEDA-SDS  
10. Rosario Manasan  
   PIDS  
11. Diane Respali  
   ILO  
12. Aleli Rosario  
   NEDA-SDS

**GROUP B PARTICIPANTS**

1. Lore Aguilar  
   NEDA-SDS  
2. Imelda Ben  
   DOH  
3. Fe Cabral  
   NAPC  
4. Charmaine Caido  
   DILG  
5. Amy Canarejo  
   NEDA-PIS  
6. Lynn Capones  
   NEDA-SDS  
7. Susan Concordo  
   DLSU  
8. Rollie Fabi  
   League of V-Governors  
9. Eduardo Gonzalez  
   DAP  
10. Brigida Jayme  
   UNFPA  
11. Jun Miral  
   CPBO (Group Rapporteur)  
12. Ross Quisao  
   PIDS  
13. Jana Ricasio  
   UNDP  
14. Philip Schwehm  
   USAID  
15. Felizardo Virtucio, Jr.  
   NEDA-SDS
OBJECTIVES

The NEDA Central Office, in coordination with NEDA Region VI, conducted the Workshop on Governance Indicators on September 18, 1998 at the RDC Conference Hall, NEDA, Iloilo City. The objective of the workshop were:

1. To introduce the participants to the results of the study on the development of LGU governance indicators;

2. To get the feedback/reaction of the participants regarding the acceptability/credibility of the governance indicator system and the weights used in arriving at the composite index of good governance; and

3. To solicit comments on the possibility of institutionalizing the regular measurement of said indicators on a nationwide basis.

SCHEDULE OF ACTIVITIES

8:00 Registration
9:00 Invocation
   Ms. Lourdes Villa
   Civil Commission
   National Anthem
   Ms. Erlinda Ortiz
   NEDA VI
9:15 Welcome Remarks
   Mr. Arturo G. Valero
   Assistant Regional Director, NEDA VI
9:30 Presentation of Results of the Study on the Development of LGU Governance Indicators
   Dr. Rosario Manasan
   NEDA Consultant
10:00 Open Forum (for classificatory questions only)
10:30 Coffee Break
10:45 Workshop Mechanics
11:00 Group Discussion aimed at achieving workshop objective 2 and 3
12:00 Lunch
12:30 Presentation of group reports in a plenary session
1:00 Wrapping up
PARTICIPANTS

A total of 52 participants from the local government units, regional line agencies and non-government organizations attended the workshop. (The list of participants is attached as Annex A).

CLARIFICATORY QUESTIONS

1. Mr. Mario Nillos of PPDO-Iloilo asked the baseline year for Human Development Index

   Dr. Manasan informed that the baseline year for HDI was 1994 and its components are: a) per capita income; b) life expectancy; and c) literacy rate.

2. Mr. Nillos also asked if poverty incidence is a part of HDI.

   Dr. Manasan replied that poverty incidence is not included in HDI but in Human Deprivation Index

3. Mr. Roque Hotilena of PPDO-Negros inquired about the estimated time frame of the study for a specific LGU.

   Dr. Manasan informed that in the pilot testing they conducted, they stayed one week in Antique (for 2 municipalities only with respondents of only 50). She said for public opinion survey, 400 respondents are needed per LGU. For Version 2 or using administrative data only, 4 days are needed per LGU – 2 days for gathering data and 2 days for processing the data.

4. Ms. Evelyn Trompeta of DILG informed that they have also come up with a Local Government Performance Measurement wherein some of the areas mentioned in the Governance Indicators were also covered. However, the DILG measurement were more on specific areas of the legislative and executive aspects.

   Dr. Manasan said if anybody is interested in the study, NEDA VI has a complete copy.

5. Mr. Rey Dusaran of CPU asked if some factor analysis were done to see if the indicators come together.

   Dr. Manasan said no formal factor analysis was done.

6. Ms. Daisy Magbanua of CHED inquired if the socio-economic status of the respondents were considered in the multi-stage random sampling.

   Dr. Manasan explained that they use the purposive approach at the provincial level. They utilize the random approach for the barangays.
7. Mr. Zaldy Barotil of Mercifil Foundation asked why the Academe was deleted in the list of institutions which should take on the job of measuring and compiling governance indicators.

   Dr. Manasan replied that this was unintentional and that the academe should be in the list.

8. Mr. Barotil inquired how often must the index be measured. He asked if it was assumed that a baseline study was already established such that a more meaningful analysis of the data will be done on the third year.

   Dr. Manasan informed that the assumption is that when you measure at the start of the third year, you are using the data of the incumbent in their second year. Third year is not yet available.

9. Dr. Venancio Ardales of the University of Iloilo said that since Dr. Manasan is asking the participants’ opinion if the study is political or apolitical, may he know whether the researchers have determined if their work is political or apolitical in nature. He said there will be a lot of implications particularly for the LGUs which will be evaluated by the instrument.

   Assistant Director Virtucio replied that it is not so much as self-assessment but the perception of the body. He defined apolitical as that where there is no perception of any bias or perception of leaning towards any party.

10. Dr. Ardales referred to Mr. Hofilena’s comment about manipulation of data for certain LGUs. He remarked that if the instrument is constructed in a way that is inherently political, the data that will come out will be biased.

   Dr. Manasan informed that the data were carefully validated and that the researchers took pains that the data will not be manipulable.

**WOKSHOP MECHANICS**

The participants were divided into two groups, as follows:

1. **Group A** discussed Acceptability of the Governance Indicator System and the Index of Governance. The participants were asked to identify parameters for operationally defining “acceptability of the indicators and given comments/reaction on the acceptability of the governance indicator system, and the weight used in composite index of good governance.

2. **Group B** tackled Institutionalization of the Governance Indicator System. The participants were asked validate the need to periodically undertake the measurement of the governance indicator system and made recommendations on how to institutionalize the governance indicator system in terms of:

   - Recommendations on how to generate support for the system
• Identifying the criteria for selecting the institution/s most appropriate to undertake the measurement

• Mobilizing resources to implement the system

PRESENTATION OF THE WORKSHOP OUTPUTS

Group A

1. Operational Definition of “Acceptability”

   Validity – measures what it really wants to measure

   Reliability – if used several times will give the same result

   Verifiability

   Measurability

   Consistency with the development goals which should be within the mandate of the Local Government Code

   Universability/Adaptability

   Credibility – no systematic bias

   Availability

   • Statistical data are available
   • Target beneficiaries are in a position to give an objective response or “informed response” or informed respondents
   • Data must be verified/counterchecked with their units; e.g., DILG
   • Data is customized to suit particular place

2. Reactions/Comments on the Acceptability of Governance Indicators System

   Sampling Procedures

   • Different respondents for different services
   • Consider direct beneficiaries – right person
   • Consider different sectors; e.g., mothers, fathers

   On Indicators for Service Delivery

   • Indicators should include all services expected from LGUs as mandated in the Local Government Code
- Indicators should include other aspects of development such as infrastructure, economic, water, agriculture, environment, etc.
- Indicators protected from political manipulation
- Consider adoption of MBN indicators – it include areas to be covered, indicators and standards

<table>
<thead>
<tr>
<th>Identify areas to be covered</th>
<th>Indicators</th>
<th>Standard</th>
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On Revenue Generation

- Instead of local revenue efforts, use “fund sourcing”/generation efforts to include non-traditional fund sourcing activities

Reaction: This is inherently biased against low income LGUs

- Measure collection efficiency; i.e., rate of actual collection vs. projected collection
- Preference for relative indicators rather than absolute indicators
- Look at degree of development intended during term of governance
- Why not look at indicators for bad governance – This was already considered since objective tree came from problem tree

Appropriate of Weights

- Give more weights to SO2 because:
  1. Bottomline of service
  2. Impact indicators
  3. MBN may used as indicator
  4. Adapt the Integrated Rural Accessibility Planning Survey – this, however, is limited to pilot provinces/municipality only

Why not have a second of study using the MBN indicators to measure IMPACT

On Data Gathering Methodology

- Secondary data must be verified/counter checked with other National Government Agencies
- Adopt “customized sampling” – for informed respondents
Group A participants are listed in Annex B.

Group B

Group B’s output was presented by Mr. Leonardo Jamora of Panay State Polytechnic College, as follows:

I. Need Periodic Assessment

A. Frequency/Timing

1. Before the next administration, but not to be used for political purposes
2. First Year – provide baseline information on the situation of the LGU, as input to planning
3. Second Year – for next term’s corrections

B. Other Issues

1. Cannot separate the indicators as reflection of performance of the LCE and the LGU
2. Should be comparable among LGUs and administrations
3. How to relate the indicator system with the other M & E systems for LGUs (DILG)

II. Institutionalization

A. Criteria for Selection of Institution

- non-political
- technically capable
- credible

B. Generating Resources

Sharing of resources:

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<tr>
<th>Institution</th>
<th>Resource Details</th>
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<tbody>
<tr>
<td>Academic Institution</td>
<td>- expertise of Faculty and Staff</td>
</tr>
<tr>
<td>NEDA/DILG</td>
<td>- funds</td>
</tr>
<tr>
<td>LGU</td>
<td>- share from IRA</td>
</tr>
<tr>
<td>NGOs</td>
<td>- technical capability/familiarity with local development issues</td>
</tr>
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<td></td>
<td>- package as research proposal</td>
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C. Supervision

a. Regional

Interagency: DILG, NEDA, CHED, NGOs, SCUs, Private Sector
b. National

Top Level Planning – Concerned Agencies

C. Accreditation of Participating Institutions

- Capability
- Credibility

*Group B participants are listed in Annex C*

**COMMENTS/ REACTIONS**

1. Mr. Gullergan of CPDO-ILOILO asked for clarification on the provision of baseline information on the situation of the LGU as input to planning in the first year of implementation of the study.

   Mr. Jamora replied that in their group's discussion, the implementation must start at the baseline. After that, it will be on a case-to-case basis if the LGU can afford or those who are participating in the annual evaluation or survey. ARD Valero clarified that the recommendation of the group is that evaluation will be conducted every year. The first year will be the baseline, the second year will be for the mid-term correction and the third year, which is before the next administration, will be the annual reporting of the performance or the measurement of the indicator.

2. Mr. Nillos of PPDO-Iloilo said that they have no indicators at the local level. Their basis is the mandate as provided in the Local Government Code. He said one of Group A's suggestions is to put more weight on the basic service delivery of LGUs.

3. Ms. Cecilia Ortiz of PPDO-Guimaras said Group B's suggestion, if the study will be implemented is to conduct a consultation with all the leagues so that the indicators will be acceptable to them. She said this will serve as one of the basis of measuring their performance.

4. On Mr. Gullergan's query as to who will conduct the evaluation, Mr. Jamora said the participation of private state colleges or universities will be solicited as they have their own institutionalized graduate program.

5. ARD Valero asked if the conduct of the study would not be affected if Group B's suggestion to tap the Internal Revenue Allotment will be followed. He also asked if the IRA will not distort the priorities and the LGU can expect a favorable assessment if it is generous. Another question he posed is if the IRA would affect the objectivity of the study.

6. Mr. Nillos disagreed as regards getting the funds from IRA. He said that if there will be an adverse evaluation, there will be no allocation for the study in the succeeding year.
7. Mr. Ortiz said there are development-oriented local chief executives who may be willing to accept favorable or unfavorable results. She suggested not to generalize everyone else does not want to.

**ANNEX A**

List of Participants

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
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<tbody>
<tr>
<td>Rodnel de los Reyes</td>
<td>CPDO-Sagay City</td>
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<tr>
<td>Lourdes Villa</td>
<td>Civil Service Commission</td>
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<tr>
<td>Ma. Jovita Santillana</td>
<td>CPDO-La Carlota City</td>
</tr>
<tr>
<td>Rose Mamaril</td>
<td>Local Government Support Project</td>
</tr>
<tr>
<td>Venancio Ardales</td>
<td>University of Iloilo</td>
</tr>
<tr>
<td>Aida Liza</td>
<td>Bureau of Internal Revenue</td>
</tr>
<tr>
<td>David Conadera</td>
<td>Bureau of Local Government Finance</td>
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<tr>
<td>Lourdes Diocson</td>
<td>Department of Budget and Management</td>
</tr>
<tr>
<td>Ma. Laline Lapu-os</td>
<td>CPDO-Silay City</td>
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<tr>
<td>Filipina Espinosa</td>
<td>Philippine Information Agency</td>
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<tr>
<td>Sylvia Bustamante</td>
<td>Negro Council for Peace &amp; Dev- Bacolod City</td>
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<tr>
<td>Leda Celi</td>
<td>National Congress of the Unions in the Sugar Industry of the Phils.</td>
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<tr>
<td>Nathaniel Gallergan</td>
<td>CPDO-Iloilo City</td>
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<tr>
<td>Roque Hofilena</td>
<td>PPDO-Negros Occidental</td>
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<tr>
<td>Mario Nillos</td>
<td>PPDO-Iloilo</td>
</tr>
<tr>
<td>Gilbert Alparito</td>
<td>CPDO-Cadiz City</td>
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<tr>
<td>Simeon Leal</td>
<td>PPDO-Iloilo</td>
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<tr>
<td>Remedios Bayot</td>
<td>Parole and Probation Administration</td>
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<tr>
<td>Ofelia Pacete</td>
<td>UP in the Visayas</td>
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<tr>
<td>Melchor Teyes</td>
<td>Bureau of Jail Management &amp; Penology</td>
</tr>
<tr>
<td>Daisy Magbanua</td>
<td>Commission on higher Education</td>
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<tr>
<td>Cecilia Ortiz</td>
<td>PPDO-Guimaras</td>
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<tr>
<td>Lilibeth Bedonis</td>
<td>Iloilo State College of fisheries</td>
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<tr>
<td>Ma. Jade Catalan</td>
<td>Iloilo State College of fisheries</td>
</tr>
<tr>
<td>Evelyn Trompeta</td>
<td>Dept. of Interior &amp; Local Government</td>
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<tr>
<td>Salome Siaton</td>
<td>Dept. of Labor &amp; Employment</td>
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<tr>
<td>Christine Espanola</td>
<td>Nat'l Intelligence &amp; Coordination Board</td>
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<tr>
<td>Ramon Hechanova</td>
<td>Chamber of Real Estate &amp; Builders Association</td>
</tr>
<tr>
<td>Rey Dusaran</td>
<td>Central Philippine University</td>
</tr>
<tr>
<td>Zaldy Barotil</td>
<td>Merciphil Foundation, Inc.</td>
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<tr>
<td>Leonardo Jamora</td>
<td>Panay State Polytechnic College</td>
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<tr>
<td>Rosario Manasan</td>
<td>Phil. Institute for Development Studies</td>
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</table>
34. Ross Quisao Phil. Institute for Development Studies
35. Eden Villanueva Phil. Institute for Development Studies
36. Tonette Guillermo Development Academy of the Phils.
37. 
38. Felizardo Virtucio NEDA-CO
39. Napoleon Imperial NEDA-CO
40. Aleli Rosario NEDA-CO
41. Arturo Valero NEDA-VI
42. Raul Anlocotan NEDA-VI
43. Ma. Isabel Blancia NEDA-VI
44. Ma. Nesza Aleligay NEDA-VI
45. Ma. Lourdes Miado NEDA-VI
46. Juanita Sanchez NEDA-VI
47. Manuel Luis Dionio NEDA-VI
48. Corazon Porquez NEDA-VI
49. Elizabeth Bugna NEDA-VI
50. Erlinda Ortiz NEDA-VI
51. Estela Paredes NEDA-VI
52. Cynthia Lumampao NEDA-VI
ANNEX B

Group A Participants

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
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<tr>
<td>1. Dr. Venencio Ardales</td>
<td>University of Iloilo</td>
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<td>2. Daisy Magbanua</td>
<td>Commission on Higher Education</td>
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<tr>
<td>4. Rose Mamaril</td>
<td>Local Government Support Program</td>
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<tr>
<td>5. Zaldy Barotil</td>
<td>Merciphil Foundation, Inc.</td>
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<tr>
<td>6. Mario Nillos</td>
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<td>7. Salome Siaton</td>
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<td>NEDA-VI</td>
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<tr>
<td>9. Lourdes Diocson</td>
<td>Dept. of Budget and Management</td>
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<tr>
<td>10. Filipina Espinosa</td>
<td>Public Information Agency</td>
</tr>
<tr>
<td>11. Ma. Jade Catalan</td>
<td>Iloilo State College of Fisheries</td>
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<td>CPDO-Silay City</td>
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<tr>
<td>14. Ma. Jovita Santillana</td>
<td>CPDO-La Carlota City</td>
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ANNEX C

Group B Participants

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<tr>
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<th>Office</th>
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<tbody>
<tr>
<td>1. Lourdes Villa</td>
<td>Civil Service Commission</td>
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<tr>
<td>2. Lilibeth Bedonia</td>
<td>Iloilo State College of Fisheries</td>
</tr>
<tr>
<td>3. Agapito Abang, Jr.</td>
<td>Bu. Of Jail Management &amp; Penalogy</td>
</tr>
<tr>
<td>4. Melchor Teves</td>
<td>Bu. Of Jail Management &amp; Penalogy</td>
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<td>5. Rey Dusaran</td>
<td>Central Philippine University</td>
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<td>6. Evelyn Trompeta</td>
<td>Dept. of Interior &amp; Local Government</td>
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<td>7. Christine Espanola</td>
<td>Nat. Intelligence &amp; Coord. Agency</td>
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<td>8. Gilbert Alparito</td>
<td>CPDO-Cadiz City</td>
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<td>9. Rodnel del los Reyes</td>
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<td>10. Remedios Bayot</td>
<td>Parole &amp; Probation Administration</td>
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<td>11. Sylvia Bustamante</td>
<td>Negros Council for Peace &amp; Dev.-Bacolod</td>
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<td>12. Cecilia Ortiz</td>
<td>PPDO-Guimaras</td>
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<td>13. Leonardo Jamora</td>
<td>Panay State Polytechnic College - Capiz</td>
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Dr. Eduardo Gonzalez and Dr. Rosario Manasan delivered a 50-minute presentation on the highlights of the Study entitled: *Indicators of Good Governance: Developing an Index of Governance at the Local Level*. The presentation consisted of two parts: an overview of the Study focusing on the objectives and methodologies used; and a discussion of the results of the pilot testing of indices in nine local government units (LGUs) in the country. An open forum followed the presentation.

After the presentation, the following issues and concerns were raised:

1. **Improvement in the Survey Questionnaire**

   1915. Asuncion J. Chin, outgoing PSR co RVC XI, called the attention of the UNDP team to the questionnaire used in their public opinion surveys. Specifically, she cited that the questions on social welfare services referred mostly to disaster relief, which is not a usual day to day activity. In addition, she stated that some of the social welfare activities indicated in the questionnaire, like the operation of municipal feeding centers, are no longer being encouraged. She suggested that the questionnaire be reviewed for possible amendment to put emphasis on the regular social welfare services being provided by the LGUs.

   Ms. Amelita Atillo, outgoing PSR to RDC XI, echoed Ms. Chin’s concern, adding that the questionnaire should also encompass sectoral specificity. This will give the local government executives an idea if social services have truly benefited the urban poor and tribal Filipinos.

   *(Dr. Manasan clarified that the survey questions were formulated based on the devolved functions of different government agencies. However, the team agreed to take note of the suggestions.)*

2. **Integration of the MBN Survey with the Public Opinion Survey**

   ARD Salvador Estrera of DOH XI inquired about the possibility of incorporating the MBN indicators into the Governance survey.

   *(Dr. Manasan and Dr. Gonzalez remarked that though MBN indicators would make a good basis for the Governance survey, the constraint is that the MBN has not been in place yet in all LGUs of the country, hence, there would be a problem on comparability of data.)*
3. Ensuring Objectivity in the Assessment Process

Engr. Milagros Rabanes, PPDC of Davao Oriental, inquired how neutrality and objectivity in the evaluation process could be assured.

(Dr. Gonzales responded that objectivity can be assured if the evaluation and monitoring process are conducted by a tripartite group or a four-cornered arrangement to be participated in by the NGOs, academe, LGUs and league of mayors in order to provide checks and balance. He further added that to safeguard neutrality, indicators have to be housed in a non-political body like the institutions which must have the privilege of collecting, storing and archiving data.)

4. Timetable of Index Measurement

Mr. Tommy Nograles, representative of Mayor Adelbert W. Antonino of General Santos City viewed the evaluation process from the perspective of a local chief executive. He pointed out that upon assumption of office the new mayor usually inherits the budget and development thrust of the previous administration. Thus, he can only implement his own development thrusts in the following year. In this regard, Mr. Nograles wanted to know if this situation had been considered in framing the indices and in timing the conduct of the study.

(Dr. Manasan stated that the team previously recommended that the study be conducted in the second year of the term of the LGU official. At this point, she suggested that they look at the possibility of doing it at the staff of the third year.)

5. Basis of LGU Classification

Mr. Danilo Supe, PPDC of South Cotabato, asked the team to consider classifying LGUs according to income, population or area because the presentation has shown that richer LGUs tend to show better performance than the poorer LGUs.

(Dr. Manasan remarked that based on their studies, it is not always true that richer LGUs perform better than their poorer counterparts. She cited the time when they compared the per capita revenue from local and property taxes collected by different LGUs. Upon ranking, they found out that there was no correlation between Income class and efficiency in collecting taxes. An example was Trece Martirez, a 4th income class municipality with P1,200 per capita local revenue collection; and Davao City, a 1st income class city which had only P500 per capita local revenue collection.)

6. Lack of NGO Participation in LGU Affairs

Mr. Renato Tejano, PSR of Davao del Norte aired his sentiments regarding the lack of importance given to NGOs during their participation in public hearings and other forums. He observed that when the NGOs are invited, their ideas and suggestions are not usually adopted. Because of this, he believes that NGOs have become passive and less receptive during the meetings. He appealed to local government executives to be more responsive to the ideas of the NGOs.
He also appealed to legislators to review the business taxes being collected in some municipalities which are too high because they deter the entry of local investors.

7. DILG’s Performance and Productivity Measurement (LPPM)

In behalf of DILG XI, Mr. Felix Sanchez expressed appreciation to the UNDP team for coming up with the study on governance measurement. He, likewise, informed the body that DILG has a similar project that started in 1984 which is presently viewed with renewed interest. According to him, DILG is willing to collaborate with UNDP and other sectors in order to come up with a very acceptable scheme of governance measurement. However, he suggested that indicators relative to local financial administration, development planning, organization and management, legislation and service delivery, as well as, indicators on the capability of the government to exercise regulatory functions be also considered in measuring local governance.

8. NGO Accreditation at the Local Level

Ms. Vilma Amon of NEDA XI remarked that she was struck by the statement that the accreditation of NGOs in the local bodies is not very ideal.

(Dr. Manasan replied that when they surveyed some LGUs as to who among the NGOs was accredited in local special bodies, the people would answer that it was "the NGO of the Mayor's spouse". Hence the team deduced that this was probably the explanation why the scores on NGO participation in the local bodies do not correlate with the scores on people's participation in the NGOs and their perception of the empowerment of the NGOs.)

9. Submission or Additional Comments

Director Pelayo acknowledged the importance of the study and on behalf of RDC XI, thanked the UNDP team for an excellent presentation. She encouraged the participants to submit any additional comment or suggestion to the NEDA Secretariat.