Is Local Development Good Politics? 
Local Development Expenditures 
and the Re-Election of Governors 
in the Philippines in the 1990s

Jose Orville C. Solon, Raul V. Fabella and 
Joseph J. Capuno

Are incumbent governors who put more weight on development spending likely to be re-elected? To answer this question, an economic model of a re-electionist local chief executive is introduced and validated with a panel data of provincial governors who ran for another term of office during the election years 1992, 1995 and 1998 in the Philippines. It is found that incumbent governors improve their re-election chances with higher spending on economic development services, other things being constant. Moreover, governors who are members of political clans also have higher development spending especially when faced with rival clans. Thus, elections are still an effective disciplining device, more especially when rivalry is intense among political clans. The policy implication then is to enhance political competition rather than just ban political dynasties to improve the performance of elected officials under decentralization.

Keywords: Political Clans; Re-Election; Governors; Philippines

Introduction

The following question is addressed in this article: is spending on local development good politics? Specifically, are the incumbent governors who put more weight on development spending likely to be re-elected? Answers to this question are critical to the current debate on governance, especially at the local level in many developing countries that have decentralized their government structures. The experiences of

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Bolivia, Brazil, Uganda, China, Indonesia, Vietnam, the Philippines and other countries have been examined to establish the links between decentralization, governance and local development (White and Smoke, 2005; Bardhan and Mookherjee, 2006; Bird and Vaillancourt, 1998; Litvack, Ahmad and Bird, 1999; Huther and Shah, 1999; Fisman and Gatti, 1999; Azfar et al., 2001).

It is usually claimed that fiscal decentralization leads to more efficient provision of local public services achieved through a better matching of the supply of and the demand for such services (Oates, 1972; Bahl and Linn, 1992). The improved matching results from two advantages that local governments have over the national government. Their first advantage is better information about their constituents’ preferences that are likely to be heterogeneous across jurisdictions. Local officials then are better able to provide customized public services, which lead to improved welfare. However, better information alone is insufficient since in principle the national government can also collect data to enhance its targeting of public services (Bardhan, 2002).

The real advantage then is that local officials are more directly accountable to their constituents. Elections and civic participation of the local citizens are just two of the accountability mechanisms in place in democracies. Elections are institutional devices to choose and discipline political leaders and to reach collective decisions. Public consultations and the people’s direct involvement in legislation, planning or monitoring activities also help avoid costly local government mistakes owing to poor information, incompetence, indifference or corruption. Further, the intrinsic value of the social inclusion of the marginalized groups adds to the welfare effects of participation.

With the improvements in local public service delivery and in the overall welfare, the citizens’ approval of their local governments will manifest in the ballot or by migrating elsewhere (‘voting with their feet’). Anticipating this, an incumbent local chief executive (i.e., municipal/city mayor or provincial governor) may then adopt development-oriented public programs and projects, possibly with the people’s participation, to be re-elected.

Many, however, forewarn about the dangers of fiscal decentralization. A poorly designed or implemented decentralization program could lead, among others, to greater fiscal deficit, inter-jurisdictional externalities and costly fiscal competition, wide disparities in service provisions and to capture of the local governments by interest groups (Tanzi, 1995; de Mello, 2000; Proud’homme, 1995; Bird and Vaillancourt, 1998; Doner et al., 2009; Hutchcroft, 2000). State capture could lead to inefficiency or worse, to corruption when local governments are granted greater powers and fiscal resources without the requisite tightening of political and administrative controls and other check-and-balance mechanisms (Bardhan and Mookherjee, 1999; Oates, 1999). Thus, under decentralization, the effective control of local elites—political clans or ‘bosses’, oligarchs—over the local government apparatus may be further entrenched (Proud’homme, 1995).

Arguably, the mere presence of political elites, even if one of their members is elected a local chief executive, does not perforce indicate a corrupted or inefficient
local government. Possibly, the local chief executive behaves like a ‘stationary bandit’ (Olson, 2003) who has the greater incentive to improve than to plunder at once the local economy (or resource base). Also, competing elite groups may temper the excesses of the incumbent.

Hence, the issue of whether the local political elites are ‘predatory’ is best resolved empirically. Such ‘predatory’ behavior may be verified with the performance of the local official while in office, e.g., their relative priority for pro-poor local public services like health and education, or for basic infrastructures or regulatory procedures to improve local business conditions. The hypothesis is that incumbent officials who are ‘bad’ performers are less likely than the ‘good’ ones to be re-elected, ceteris paribus.

In reality, of course, factors other than performance help secure electoral victory. When voters are not well informed or political candidates cannot credibly commit to their election platforms, then it is possible for a ‘bad’ incumbent to be re-elected or for a ‘good’ candidate to run unsuccessfully (Persson and Tabellini, 2002; Besley, 2006). Where political parties are weak or not stable, a political clan with its own network of supporters then becomes the candidate’s de facto political machinery. It may be asked therefore whether incumbent officials who are members of political clans still pursue pro-development programs and projects to get re-elected.

Local elections in the Philippines under decentralization make for an interesting case study. On the one hand, Rivera (1999) finds that established political clans are likely to be found in more developed provinces (i.e., with relatively high scores in Human Development Index1), a finding that is consistent with the ‘stationary bandit’ model or the benevolent view of government. On the other hand, based on the results of growth regression models, it is found that political clans were inimical to province-level poverty reductions for 1988–1997 (Balisacan and Fuwa, 2004), but benign during the period 1988–2003 (Balisacan, 2007), results which are partly consistent with the ‘predatory’ view of political clans.

To shed further light on the two views of political clans in the Philippines, in this article, a model of a re-electionist local chief executive is developed and empirically validated with a panel data of incumbent provincial governors who ran for another term of office during three election years (i.e., 1992, 1995, and 1998) in the Philippines. The model highlights the incumbent governor’s choice between good performance in office and reliance on clan membership to get re-elected. The results show that the chances of the incumbent governor improve with the proportion of total public expenditures spent on ‘economic development services’ (a proxy for development-oriented performance) although such chances may be reduced by the rival’s political machinery (specifically the number of local political clans). Furthermore, threat of competition from local political clans bears pressure on the incumbent governor to adopt development-oriented programs and projects, even among governors who are members of political clans. Thus, the lack of effective rivalry among political clans, more than the mere presence of such clans, could be the critical factor behind the poor public service delivery and low levels of welfare in many places in the Philippines. The
policy implication is that the gains from decentralization may be strengthened, and its dangers minimized, when political competition is enhanced.

The rest of the article is divided as follows: A short note on local politics in the Philippines is presented in Section 2, followed by the analytical model introduced in Section 3. The empirical and estimation issues are discussed in Section 4. The results of the empirical analysis are presented in Section 5. Some concluding remarks in Section 6 end the article.

A Note on Local Politics in the Philippines

A recurring theme in local politics in the Philippines is the dominance of the traditional political elite and, by extension, the minimal impact of elections in transforming local governments (Coronel et al., 2004; PCIJ, 1995a; PCIJ, 1995b; Gutierrez et al., 1992). Unlike in developed countries where members of the political elite are closely tied with established political parties, kinship or fictive ties bind the members of the traditional political elite in the Philippines. Hence, it is not uncommon among local political families to change party alliances every election, thus ensuring the demise of political parties and the persistence of political clans. Moreover, political families are often dominant economic players at the local and the national levels (see, for example, McCoy, 1997).

Usually, the local political elite comprises several public officials who are linked together by blood or marriage and who simultaneously occupy or successively hold their government positions. Related public officials therefore constitute a political clan. Members of political clans may occupy both elective and appointive positions in both the executive and legislative (or sometimes even judicial) branches of the government at both the national and local levels. Among the more notable and enduring political clans in the country are the Osmen˜as and Duranos of Cebu, the Marcoses and Ablans of Ilocos Norte, the Aquinos and Cojuangcos of Tarlac, the Lopezes and Yusos of Negros Occidental, the Dimaporos of Lanao del Norte, and the Datumanongs and Masturas of Maguindano. Some of these political clans trace their origin from the Spanish and American colonial periods (Rivera, 1999).

Two factors may account for the predominance of clans in local politics in the Philippines. In the case of old political clans, who were originally wealthy landowners, their political power can be traced to the feudal conditions in rural areas that enabled them to exploit their wealth for political ends. These landowning families were able to secure their hold to public offices initially because of the limited outside economic opportunities facing the local population. Many of these families, such as the Lopezes of Iloilo and Lacsons of Negros Occidental, were able to maintain their political influence as they expanded their spheres of control over the industrial and modern sectors of the economy in later years.

However, the origin of the more recent local political clans and the change in the balance of power among the old clans is based less on their initial economic resources than their ties with national authorities, especially during the Marcos administration.
(1966–1986). The local clans with members who were first elected to Congress during this period include the del Rosarios of Davao del Norte, Duavits of Rizal, Gordon of Zambales, Josons of Nueva Ecija, Singsons of Ilocos Sur, and Zubiris of Bukidnon (Coronel et al., 2004). Some clans even became part of the new oligarchy or ‘cronies’ of Marcos that emerged and usurped the political and economic powers of the members of the old oligarchy who were opposed to Marcos. After Marcos, more local clans gained national prominence due to their close links with national leaders.

Irrespective of the origin of the political clan, a symbiotic relationship exists between local political clans and the national leadership. Such relationship is sustained by the highly centralized fiscal structure of the government. The national political leader, who effectively controls the bulk of public resources and wields vast administrative power over local governments, can elicit the support of local political figures, who are often clan members, during elections. In return, local leaders who are able to deliver the votes to successful national candidates are rewarded with favorable central fiscal transfers, ‘pork barrel’ projects and other forms of largesse.

In addition, the local political elite persists because of patronage, fear and coercion, and electoral fraud (De Dios, 2007; Coronel et al., 2004; PCIJ, 1995a). In a patron-client relationship, which is based on reciprocity, the political supporter (client) casts his or her vote in favor of a political candidate (patron) who in turn will see to it that the personal or family welfare of the client is protected, if not promoted, even at public expense (early references include Lande, 1965 and Grossholtz, 1964). The use of fear, coercion and electoral fraud also helps to clinch the electoral victory of some local political figures or ‘bosses’ (Sidel, 1989).

For these reasons, local government is perceived to be less benevolent or efficient, since the elected local chief executive is likely to misappropriate public resources for his own benefits or those of his allies and supporters. Because the local government is effectively captured by vested interests, it may perform essentially re-distributive functions, rather than adopt growth-promoting policies. Matters are made worse because of weaknesses in the country’s legal system and other political institutions, thus making the system of checks and balances in government ineffective. This seems to be the case when both national and local leaders collude to preserve their hold on power. Under the circumstances, elections therefore become less effective mechanisms for improving local welfare.

Against this backdrop, the Local Government Code was enacted in 1991 to promote greater fiscal autonomy and to advance people empowerment. To achieve greater fiscal autonomy, the share of local governments in the internal revenues of the national government was augmented; some of the expenditure responsibilities and functions of the national government were devolved to local governments; and the local governments’ revenue-raising powers were expanded. The increase in the local government share in the national government’s internal revenues, called the Internal Revenue Allotment (IRA), was steady and significant: from about 6.1 billion pesos in 1990 to nearly 9.8 billion pesos in 1991 and to 44.6 billion pesos by 1996. Based on the total internal revenue collections in the third year prior to the year it is allocated,
the IRA is distributed using a two-step formula. In the first step, the total IRA is allocated among the four levels of local governments, with the highest share going to provinces, the lowest share to barangays (villages), and equal shares to cities and municipalities. In the second step, the total share of each local government level is divided among those in that level based on population, land area and an equal-sharing part. Hence, the actual IRA share of each local government unit is roughly correlated to its degree of urbanization, although it is possible for less densely populated but geographically wide areas to get relatively high IRAs. While most local government units, including provinces, are heavily dependent on their IRA (Manasan, 2007), many are able to generate substantial fiscal revenues from real property taxes and regulatory fees and fines.

To promote popular empowerment, the Code mandates each local government unit to establish several local consultative bodies with representatives from local non-government organizations, other civil society groups and the private sector. The primary function of these bodies is to propose specific projects or priorities in health, education, peace and order, and other development expenditures.

Further, the Code has introduced other measures to make local elected officials, whether clan members or not, more accountable and responsive to the needs of their constituents. For one, the Code imposes a term limit: a local official may be elected to the same office for a maximum of three consecutive three-year terms. Also, a system of recall enables the local population to remove from office at any time any elected official who has lost the people’s confidence.

Notwithstanding these Code-induced changes in the democratic space, the electoral advantage of the traditional political elite in some places does not seem diminished. However, it is worth noting that a new, better-educated, and dynamic breed of leaders from among the political clans have been elected into office. These new leaders include the Zubiris of Bukidnon, Roxases of Capiz, the Cojuangcos of Tarlac and the Angaras of Aurora. Whether local political clans are only further entrenched in office despite the participatory and accountability mechanisms under the Code continues to be debated.

Perhaps a more interesting and policy-relevant question is not whether the Code has limited the presence as much as improved the performance of the clan members who are elected to local posts. That is, whether political clans have become more development-oriented with the fiscal, administrative and political changes introduced by the Code. To the extent that even clan members must perform to be re-elected should be taken as a positive development in local politics under the fiscal decentralization program.

**A Model of Incumbent Behavior**

In the tradition of political agency models (Barro, 1973; Ferejohn, 1986; Persson and Tabellini, 2000; Besley, 2006), we assume that the incumbent official is able to extract rent from office because voters are not well-informed about the incumbent’s behavior.
and that political candidates cannot credibly commit to their campaign promises due to institutional weaknesses (e.g. poor election laws, deficient legal system, corrupt media). Nonetheless, the incumbent still has to submit herself for re-election where the outcome is uncertain. In this model, elections work as disciplining device to temper the rent-seeking or wealth-accumulating behavior of the incumbent.

Consider therefore an incumbent leader of a political unit concerned with wealth \((W)\), i.e. \(U = W\), where \(U\) is the incumbent’s utility function. There are only two periods—the present and the future. The incumbent governs in the present and stands for election in the next, the end of which also coincides with the incumbent’s term limit.

In each period \(t\), the incumbent decides how to allocate local public revenues \(Y_t\) between development spending \((D_t)\) and wealth \((W_t)\), i.e., \(D_t = s_t Y_t\), where \(s_t\) is the share of development spending in period \(t\)’s public revenues, with \(1 \geq s_t \geq \bar{s} > 0\). That is, the incumbent is legally or institutionally constrained to spend at least a minimum amount on local development, i.e. \(\bar{s} > 0\).

In each period, the local government receives a pre-determined amount of block grant, call this \(Y_t^0\), from the central government. For simplicity, the total public income in the initial period is assumed to be completely exogenous, i.e., consisting of block grants (or the residual income from previous administration). However, the total public revenues in the second period are also determined by the amount of development spending in the initial period, which presumably led to growth of the local economy or the local tax base. Hence, the second period’s income is given by

\[
Y_2 = g(s_t Y_1, Y_2^0), \quad g_1 > 0, g_2 > 0, g_{11} \leq 0, g_{22} \leq 0, g_{12} = g_{21} > 0.
\]

In words, the public resources in period 2 grows at decreasing rate with development spending made in period 1 or with block grants from central government in period 2.

At the end of the first period, the incumbent stands for re-election. The likelihood of a second term depends on her performance while in office and her election spending. Let her performance be given by the development spending in the first period \((D_t = s_t Y_1)\). On the other hand, her election spending \(E\) is given by

\[
E = e(K_O, K_R)(1 - s_t)Y_1^0,
\]

\[
e_{K_O} < 0, e_{K_R} > 0, e_{K_O K_R} \geq 0, e_{K_O K_R}^g \leq 0, e_{K_R K_O}^g = e_{K_R K_O}^g < 0
\]

where \(e\) is the proportion of her first period income spent for re-election. This proportion is assumed to be a decreasing function of her membership in a political clan \((K_O)\) and an increasing function of the number of rival political clans \((K_R)\). Hence, her probability of re-election is given by:

\[
P = P(D, E) = P(s_t Y_1, e(K_O, K_R)(1 - s_t)Y_1^0),
\]

where \(P_D > 0, P_E > 0, P_{DE}^g \leq 0, P_{EE}^g \leq 0, P_{DE}^g = P_{ED}^g > 0\).

The incumbent’s wealth therefore comprises the present value of her ‘share’ in the public income in each period, i.e.,

\[
W = (1 - s_t)(1 - e(K_O, K_R))Y_1^0 + \delta(1 - s_t)PY_2,
\]
where $\delta$ is a (strictly positive) discount factor. A wealth-maximizing incumbent will therefore choose the appropriate levels of development spending in each period and her own election spending in the first period by setting $s_1$, $s_2$ and $e$. But since a successful incumbent faces a term limit in the second period, she will set $s_2 = \bar{s}$, that is, spend the minimum on development to avoid administrative or legal problems once out of office. Hence, the problem of the incumbent reduces to

$$\text{Max}_{\{s, e\}} U = (1 - s_1)(1 - e(K_O, K_R))Y_1^0 + \delta(1 - \bar{s})\cdot P(D, E)\cdot g(s_1 Y_1^0, Y_2^0).$$

The necessary conditions for a maximum are:

$$U_{s_1} = -(1 - e)Y_1^0 + \delta(1 - \bar{s})(P'_{D} Y_1 - P'_{E} e Y_1) Y_2 + Pg'_{D} Y_1^0 = 0,$$

$$U_{e} = -(1 - s_1)Y_1^0 + \delta(1 - \bar{s})P'_{E}(1 - s_1) Y_1 Y_2 = 0.$$

Let the solution to the above pair of equations be $s_1^* = s_1(Y_1^0, Y_2^0, \delta, \bar{s}, K_O, K_R)$ and $e^* = e^*(Y_1^0, Y_2^0, \delta, \bar{s}, K_O, K_R)$. Plugging these in the probability of re-election function yields $P^* = P^*(D^*, E^*).$

The equation above captures the main proposition of the model: the chances of a wealth-maximizing incumbent to another term in office increase with development spending (i.e., performance in office) and her campaign spending made in the first period, each of these two factors is turn linked to the block grants, clan membership and competition, and institutional factors that limit rent-seeking. The independent effects of these factors are estimated using the data and regression model described below.

### Empirical Strategy

**The Data**

To validate the analytical model, a panel dataset is used containing all the 76 provinces in the Philippines in three election years (1992, 1995 and 1998). The local elections were held in May of these years. The dataset include the characteristics of the incumbent provincial governor (name, term status), local fiscal performance (public expenditures and revenues), allocations from central government revenues, socioeconomic profile (average per capita income of the local population) and local political clans (number, membership).

Tables 1 and 2 contain the definitions of the variables used and the corresponding descriptive statistics, respectively. The re-election outcome is a dummy variable that takes a value of 1 if the incumbent governor is re-elected in the May elections of the relevant year and 0 if the incumbent is newly elected (or the past incumbent lost). Since local elected officials are allowed three consecutive terms and that the first local elections under the 1987 Constitution was in held 1989, it is assumed here that the re-electionist incumbent governors in 1992 were still allowed at least one more term. During the three-election year period, about half of the incumbent (52%) were successful in their bid to remain in office.

The share of expenditures on economic development in the total expenditures of the provincial government is used as measure of development spending. Expenditures on
economic development, which is a government accounting rather than economic definition, pertains to outlays for agricultural services, veterinary services and provincial planning, development and engineering services, which could improve livelihood (of farmers) and business conditions in the locality. These expenditures

**Table 1 Variable Definitions**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Re-election status</td>
<td>1 = if the incumbent provincial governor is re-elected; 0 = otherwise</td>
</tr>
<tr>
<td>Share of development expenditures</td>
<td>Share of the expenditures on economic development in the total expenditures of the province</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>Total expenditures of the province</td>
</tr>
<tr>
<td>Per capita income</td>
<td>Average income per capita of the population in the province</td>
</tr>
<tr>
<td>Predicted share of development</td>
<td>Regression-based predicted share of the expenditures on economic development in the total expenditures</td>
</tr>
<tr>
<td>expenditures</td>
<td></td>
</tr>
<tr>
<td>Square of the predicted share of</td>
<td>The square of the regression-based predicted share of the expenditures on economic development</td>
</tr>
<tr>
<td>development expenditures</td>
<td></td>
</tr>
<tr>
<td>Allocation from central government</td>
<td>Internal Revenue Allotment of the province</td>
</tr>
<tr>
<td>revenues</td>
<td></td>
</tr>
<tr>
<td>Square of allocation from</td>
<td>The square of Internal Revenue Allotment</td>
</tr>
<tr>
<td>central government revenues</td>
<td></td>
</tr>
<tr>
<td>Number of political clan1</td>
<td>Number of political clans in the province (based on Gutierrez, 1994)</td>
</tr>
<tr>
<td>Square of the number of political</td>
<td>The square of the number of political clans in the province (based on Gutierrez, 1994)</td>
</tr>
<tr>
<td>clan1</td>
<td></td>
</tr>
<tr>
<td>Number of political clan2</td>
<td>Number of political clans in the province (based on Rivera, 1999)</td>
</tr>
<tr>
<td>Square of the number of political</td>
<td>The square of the number of political clans in the province (based on Rivera, 1999)</td>
</tr>
<tr>
<td>clan2</td>
<td></td>
</tr>
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</table>

**Table 2 Descriptive Statistics**

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Re-election status</td>
<td>227</td>
<td>0.5242291</td>
<td>0.5005163</td>
</tr>
<tr>
<td>Share of development expenditures</td>
<td>226</td>
<td>0.2170913</td>
<td>0.0959174</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>227</td>
<td>1.88e+08</td>
<td>1.53e+08</td>
</tr>
<tr>
<td>Per capita income</td>
<td>225</td>
<td>11776.72</td>
<td>5427.396</td>
</tr>
<tr>
<td>Predicted share of development expenditures</td>
<td>221</td>
<td>0.2180567</td>
<td>0.0387345</td>
</tr>
<tr>
<td>Square of the predicted share of development expenditures</td>
<td>221</td>
<td>0.0490423</td>
<td>0.0154824</td>
</tr>
<tr>
<td>Allocation from central government revenues</td>
<td>227</td>
<td>1.49e+08</td>
<td>1.05e+08</td>
</tr>
<tr>
<td>Square of allocation from central government revenues</td>
<td>227</td>
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<td>5.07e+16</td>
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<tr>
<td>Number of political clan1</td>
<td>237</td>
<td>1.64557</td>
<td>1.578762</td>
</tr>
<tr>
<td>Square of the number of political clan1</td>
<td>237</td>
<td>5.189873</td>
<td>10.33229</td>
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<tr>
<td>Number of political clan2</td>
<td>237</td>
<td>1.21519</td>
<td>1.484418</td>
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<tr>
<td>Square of the number of political clan2</td>
<td>237</td>
<td>3.670886</td>
<td>9.071358</td>
</tr>
</tbody>
</table>
complement outlays for health, education, housing and social welfare services that directly affect local welfare. On the average, only about 22% of the total expenditures of the provinces is allocated to economic development services. The use of expenditure outlays, rather than development outcomes like health and nutritional status, may be justified since outlays are more directly controlled by, and, therefore, reflect the real priorities of the local officials.²

The variable *allocations from central government revenues* is indicated by the IRA, which is the revenue share of each local government from the total internal revenue collections of the national government. During the years covered in this study, the IRA accounts for an average of 81% of the provinces’ total revenues. Essentially a block grant, the IRA may be spent to provide any type of local public services, including expenditures on local economic development, on infrastructures and equipment or on social services.

Data on election spending are relatively hard to collect. While there is a law that prohibits excessive election spending, it is poorly implemented, which may have encouraged underreporting of campaign finances among political candidates. As an instrument of actual election spending, the number and composition of political clans in each province is used. Membership in a political clan, with its own network of favors, loyalties and influences, can effectively substitute for membership in political parties and, therefore, defray the candidate’s cost of campaigning. On the other hand, the existence of rival political clans, with their respective networks, can also raise the candidate’s cost. To test this, the data on political clans are culled from previous studies on Philippine politics (Rivera, 1999; Gutierrez et al., 1992; Gutierrez, 1994).

While political clans can be operationally defined in many ways, two definitions are adopted here given the limited information on political clans in the Philippines. Under the first definition (political clan1), a governor belongs to a political clan if he or she is related by blood or marriage to a member of the ninth House of Representatives (i.e., congressman or congresswoman) in 1992. Under the second definition (political clan2), a governor belongs to a political clan if he or she is related by blood or marriage constitute to at least two persons who succeeded each other to the same congressional position, or if the governor previously held the same position in the lower house of Congress that another relative successively occupy or occupied.³ In a sense, the second definition emphasize the longevity more than the breadth of the political clans.

While the two definitions of political clans may be too restrictive, membership in Congress however is plausible gauge of the clan’s influence and power (or political machinery). This is because a congressman or congresswoman needs to win in a congressional district that comprises several municipalities and cities in many provinces in the Philippines. Hence, winning a congressional seat may be more difficult than winning in a mayoralty race, but probably less than in a gubernatorial race. Nevertheless, the district’s support is often critical in a gubernatorial race.

Because of the limited data, the incumbent governors who are tagged as clan members are assumed to remain as such during each of the election years covered in the
study. This is based on the observation that political clans in the Philippines have ‘dynastic’ features (i.e., long lives if not multigenerational). Also, note that the first definition of political clan (political clan1) is distinct from but overlaps with the second (political clan2). This can be seen in Table 2 where the reported average number of clans based on the first definition (1.65) is slightly higher than number reported based on the second definition (1.22).

The other data used are taken from the following sources: Commission on Elections (election data), Bureau of Local Government Finance (fiscal data), Philippine Information Agency and the Philippine Human Development Report (socioeconomic data). The latter is a joint publication of the Philippine Human Development Network and the United Nations Development Programme.

Regression Estimations

To test the independent effects of clan membership and development spending on the probability of re-election, the following logit regression model is fitted to the data, Pr \( R_{it} \neq 0 | X_{it} \) = \( P(X_{it} \beta + v_{it}) \), where \( R \) is the re-election indicator, \( X \) is a vector of explanatory variables (development spending, number of political clans), \( \beta \) is a vector of coefficients, \( i \) is the \( i \)th observation, \( t \) is the time indicator, \( P(z) = \frac{1}{1 + \exp(-z)} \), and \( v \) is the error term, which is assumed to be i.i.d. \( N(0, \sigma^2_v) \). The model is the panel-data, random-effects version of the standard logit model to account for the longitudinal nature of the data used here.

In the estimation of the probability of re-election function, several statistical and econometric issues are addressed. First, to control for possible idiosyncratic differences of the election years, panel data regression techniques (year-fixed effects model) are used (Greene, 1997). The default base year is 1992, the first year of election under the Code, and the first election year for the president under the 1987 Constitution. Second, to test for nonlinear effects, squared terms are introduced in the regressions. Specifically, the possibilities of diminishing marginal contributions from development spending and from central block transfers to the likelihood of re-election are tested. Likewise, the square of the number of political clans in the province is introduced to see if the incumbent’s chances falls at a decreasing rate as the number of clans increases. That is, the incumbent is possibly less threatened by more than less rivals since competing rivals also compete against each other and not only against the incumbent.

Another estimation issue is the bias arising from possible omitted variables like political maturity or education of the local population. This bias is minimized with the introduction of per capita family income in the regressions. Also, the IRA, which is correlated with urbanization, partially accounts for the effects of other socioeconomic factors that may influence the election outcomes in the province.

Another empirical issue concerns the specification of the probability of re-election function, since both its arguments (development spending and election spending) are expected to have the same negative partial effects. To distinguish their respective effects,
however, would require more instruments than are currently available. Instead, the probability of re-election function is estimated in two steps. In the first step, the actual share of development spending is regressed against total expenditures (a proxy for the province’s capability) and per capita income of the local population (a proxy for local needs or demand for public services). From this regression, the predicted share of development spending is obtained. Hence, the predicted shares capture that part of public spending that is purely determined by local fiscal capacity and development needs. Note that total expenditures are financed with revenues from both internal (like real property taxes) and external (e.g., IRA) sources and borrowings. Further, development spending is not the major outlay of the most provinces. For the sample, the correlation is $-0.3349$ between share development spending and central fiscal transfers (IRA).

The second step essentially involves the estimation of the probability of re-election function with central block transfers, clan variables and the predicted share of development spending as explanatory variables. In this case, therefore, the estimated coefficients of the predicted share of development spending will represent the contribution of ‘good performance’ in office to the likelihood of re-election of the incumbent. On the other hand, estimated coefficients of the clan variables will then indicate the relative contribution of ‘election spending’ or ‘political machinery’ to the likelihood of a favorable election outcome. The introduction of the central government allocation (i.e., IRA) in the regression will help control for other relevant socioeconomic factors.

### Analysis of Results

This section presents the results of the regression analyses beginning with the model to obtain the predicted share of development expenditures, which is later used in the three logit models of probability of re-election. Serving as the base model, the first logit regression tests for the independent effects of the predicted share of development spending and political clans. For robustness, two clan definitions are used. The two other logit regressions use a sub-sample of governors classified according to their membership status in local clans to test the effects of the presence of rival political clans on their performance in office.

### Predicted Shares of Expenditures on Economic Development

The predicted shares of development spending are first obtained by regressing the actual shares against the province’s total expenditures and per capita family income. The first and second regressors are used to account for the fiscal capacity of the local government to provide services and the demand for local public services. The predicted share then may be used as indicator of the capacity and responsiveness of the local government, a measure of the incumbent’s performance.
Presented in Table 3, the results are obtained based on sample of 220 observations for three years. The overall fit is good, as indicated by the overall $R^2 = 0.1621$. Significant at the 5% level of significance, the Wald $\chi^2$ also indicates that the model’s coefficients are not simultaneously equal to zero. However, the more important result is that both explanatory variables have negative and statistically significant effects. Thus, the results imply that there is less demand for and, consequently, lower supply of the public services included in the economic development expenditures as the province becomes richer. Put another way, poor provinces tend to allocate a greater share of their incomes on development expenditures than rich provinces, which suggest that the relevant public services, whose share falls with income, may be considered as ‘necessities’.

**Base Model**

Presented in Table 4, the base model tests for the independent effects of the predicted share of development expenditures and clan variables on the probability of re-election of incumbent governors, controlling for other possible socioeconomic factors that condition province-level politics. Two sets of results are shown in the table, one for each clan definition. The total sample is 214 for each set. Overall, the model may have a ‘poor fit’ since the Wald $\chi^2$ tests for both sets indicate that the null hypothesis of joint insignificance of all the explanatory variables cannot be rejected. As such, the models cannot be validly used to predict future outcomes. However, they are still useful analytical models for explaining past outcomes however, especially in the light of the signs and significance of the individual predictors. Notwithstanding the model’s ‘poor fit’, the other statistical findings are still revealing about the nature of local politics in the Philippines.

The estimated coefficients of the predicted shares of development spending $(54.76)$ and its squared amount $(-144.82)$ are both statistically significant, although of

**Table 3** Determinants of the Share of the Expenditures on Economic Development in the Total Expenditures—All Provinces, 1992, 1995 and 1998 (random-effects GLS regression; group variable = year)

<table>
<thead>
<tr>
<th>Explanatory variables</th>
<th>Coefficient</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.2922*</td>
<td>0.0145</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>$-1.62e-10^*$</td>
<td>$4.61e-11$</td>
</tr>
<tr>
<td>Per capita income</td>
<td>$-3.62e-06^*$</td>
<td>$1.30e-06$</td>
</tr>
<tr>
<td>No. of observations</td>
<td>220</td>
<td></td>
</tr>
<tr>
<td>No. of groups</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>R-squared: Within</td>
<td>0.0311</td>
<td></td>
</tr>
<tr>
<td>Between</td>
<td>0.9792</td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>0.1621</td>
<td></td>
</tr>
<tr>
<td>Wald chi-squared (2)</td>
<td>7.77</td>
<td></td>
</tr>
<tr>
<td>Prob &gt; chi-squared</td>
<td>0.0206</td>
<td></td>
</tr>
</tbody>
</table>

*Significant at the 1% level.
different signs. This suggests that an increase in the share in development spending would improve, albeit at a declining rate, the chances of the incumbent governor being re-elected to another term. Consistent with these results, the odds ratio for these two variables also suggest the increments in the odds of getting re-elected (versus not getting re-elected) are greater for the predicted share than for its squared amount.

The results for the clan variables (number of political clans1, square of the number of political clans1) are also suggestive, although not statistically conclusive. The estimated negative coefficients of the clan variables imply that an increase in the number of political clans in the province makes it difficult for the incumbent to win an election and that as the number of political rivals increases her chances fall as well. In terms of election spending, the results indicate that political candidates may be engaged in a costly bidding war for votes, and that the cost increases the more bidders there are. Although these results support a commonly held belief that election spending is greater in highly contested provinces, the statistical evidence however is rather weak.

Interestingly, a U-shaped relationship between the probability of re-election of an incumbent governor and the province’s allocation for central government revenues
(IRA) is observed, although again in this case the estimated coefficients are likewise statistically insignificant. Since the IRA is used as a proxy for the relative socioeconomic status of the province, the results therefore suggest that it is relatively more difficult for incumbent governors to win in provinces with mid-level socioeconomic status than it is for similar officials in poorer or richer provinces.

One possible explanation for the U-shaped relationship is that the number of political clans in the province may also be correlated with the socioeconomic status. That is, low-income provinces may have only one dominant political clan while high-income provinces may have many dominant political clans. Thus in poor provinces, the political competition may be likened to a situation under monopoly where it is relatively easy for the incumbent to clinch electoral victory especially if she is a clan member. Similar situation may prevail in rich provinces where there are a few dominant clans but with a ‘leader’ political family, whose clout may be due to its special relationship with the incumbent president. Contrast this to middle-income provinces where the clans have roughly the equal clout. In this oligopoly-like political competition, it is relatively tougher for the incumbent to win another term even if she happens to be clan member.4

Robustness Test: Using Another Clan Definition

Also depicted in Table 4 are the regression results based on the alternative clan definition (political clan2) to test the robustness of the previous results. The signs and statistical significance of the explanatory variables in this case are similar to those obtained using political clan1. In particular, the coefficients of the predicted share of development spending and its squared amount are approximately 56.52 and \(-151.14\), respectively, and the corresponding odds ratios are \(3.53e+24\) and \(2.36e-006\). Moreover, the magnitudes of the coefficients and odds ratios for the clan variables are close to those obtained based on the first clan definition. Also showing consistency are the results for the socioeconomic indicator (allocation from central government revenues). All in all, the results are robust to variation in the classification of political elites.

Clan Membership and Clan Competition

To further investigate the effect of clan competition on the likelihood of the incumbent’s re-election, two sets sub-sample regression exercises are done. Based on 145 sub-samples, the first set of regression examines the probability of re-election of incumbent governors who are not members of any political clan in provinces where there are political clans. Based on 21 sub-samples, the second set of regression on the other hand looks at the probability of re-election of incumbent governors who are in this case clan members in provinces where there are at least two political clans. The idea behind these exercises is that the threat of clan competition may exert pressure on the incumbents to perform well in office. As in the case of the base models estimated in the Table 4, the Wald \(\chi^2\) tests in Table 5 and Table 6 also indicate a poor
Table 5 Determinants of the Probability of Re-election of Incumbent Governors Who Are Not Members of Any Political Clans in Provinces with Political Clans—All Provinces, 1992, 1995 and 1998 (random-effects logit estimates; group variable = year)

<table>
<thead>
<tr>
<th>Explanatory variables</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>Odds Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-4.6113</td>
<td>3.5486</td>
<td></td>
</tr>
<tr>
<td>Predicted share of development expenditures</td>
<td>55.9303</td>
<td>37.2269</td>
<td>1.95e+24</td>
</tr>
<tr>
<td>Square of the predicted share of development expenditures</td>
<td>-147.616</td>
<td>96.8228</td>
<td>7.78e-65</td>
</tr>
<tr>
<td>Allocation from central government revenues</td>
<td>-3.74e-09</td>
<td>6.07e-09</td>
<td>1</td>
</tr>
<tr>
<td>Square of the allocation from central government revenues</td>
<td>7.61e-18</td>
<td>9.98e-18</td>
<td>1</td>
</tr>
<tr>
<td>No. of observations</td>
<td>145</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of groups</td>
<td>3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Observations per group:
- Minimum: 44
- Average: 48.3
- Maximum: 51
- Log-likelihood: -99.08
- Wald chi-squared (3): 2.44
- Prob > chi-squared: 0.4857

Table 6 Determinants of the Probability of Re-election of Incumbent Governors Who Are Members of Any Political Clan in Provinces with at Least Two Political Clans—All Provinces, 1992, 1995 and 1998 (random-effects logit estimates; group variable = year)

<table>
<thead>
<tr>
<th>Explanatory variables</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>Odds Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-62.6019</td>
<td>38.499</td>
<td></td>
</tr>
<tr>
<td>Predicted share of development expenditures</td>
<td>635.1491*</td>
<td>375.786</td>
<td>6.95e+275*</td>
</tr>
<tr>
<td>Square of the predicted share of development expenditures</td>
<td>-1507.424*</td>
<td>882.512</td>
<td>0*</td>
</tr>
<tr>
<td>Allocation from central government revenues</td>
<td>-3.25e-08</td>
<td>3.36e-08</td>
<td>1</td>
</tr>
<tr>
<td>Square of the allocation from central government revenues</td>
<td>7.81e-17</td>
<td>6.97e-17</td>
<td>1</td>
</tr>
<tr>
<td>No. of observations</td>
<td>21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of groups</td>
<td>3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Observations per group:
- Minimum: 6
- Average: 7
- Maximum: 8
- Log-likelihood: -12.433
- Wald chi-squared (3): 2.96
- Prob > chi-squared: 0.3975

*Significant at the 10% level.
fit of the data, but the coefficient estimates also shed light on the nature of local political competition in the Philippines.

The results of the first set of regressions are presented in Table 5. Unlike in the Table 4, none of the explanatory variables presented here is statistically significant determinant of the probability of re-election of incumbent governors. The predicted share of development expenditure still has a positive but statistically insignificant coefficient. This suggests that the impetus for good performance in office is likely to be weak in these places. The model also has poor fit, as indicated by the results of Wald $\chi^2$ test. The sub-sample here accounts for 64% of the total.

While the coefficients are statistically insignificant, these results nonetheless suggest a number of plausible explanations. First, the incumbent may have won with her own non-clan based political machinery or because of her popularity. It was noted, for example, that many movie stars were able to capitalize on their media images to win mayoral or gubernatorial posts. Hence, these new politicians are not threatened by local political clans. Also, they may be performing better in providing education, housing, social welfare or health services that directly impact the welfare of their constituents. Improving the provision of health services is specially compelling since it constitutes the bulk of devolved services under the Local Government Code.

In Table 6, the results of the regression exercise limited to incumbent governors who are clan members in provinces where there are at least two political clans are shown. While the sample size here is only 21, the signs of the estimated coefficients are similar to those obtained Table 5 based on much larger sample. In this case, however, the estimated coefficients of the predicted share of development expenditures and the square of the predicted share of development expenditures are statistically significant at the 10% level of significance. Given the small sample size, the result is rather strong and particularly revealing. It suggests that governors who are clan members differentiate themselves from their rivals by performing well in office in provinces where the threat of competition is real. Put differently, the incumbent, whose political machinery is effectively matched by that of her rivals, makes use of her office to edge out the competition. Among the provinces included in this sub-sample are Leyte, Tarlac, Batangas and Zamboanga del Norte, areas with several dominant political clans.

**Concluding Remarks**

Is local development good politics? Notwithstanding the data and other limitations of the study, the results suggest that development-oriented programs help improve the chances of the incumbent governor to gain another term in office. The results seem robust to changes in clan definition and in membership status of the incumbent official in local political clans. Put differently, local chief executives do respond to local development needs in an effort to get re-elected, more especially in areas where the political competition among clans is intense. Hence, contrary to a common belief
borne out of the observed weaknesses in the electoral institutions, the results indicate that elections in the Philippines are still an effective disciplining device.

The results suggest a review of the provision on term limit on local elected officials imposed by the Local Government Code and the Constitutional provision against political dynasties. If political competition is effective, then term limits may not be necessary since even inherently ‘bad’ politicians may be forced to perform well if only to edge out rival political clans. For the same reason, political dynasties will be forced to behave benevolently or act like ‘stationary bandits’. The results indicate that it is not so much the presence of political clans per se that is inimical to local development. Rather, it is the absence of effective competition among political rivals, clans included, which appears to derail local progress. Besides, the law against political dynasties is very difficult to implement, since all of the four presidents elected since under the 1987 Constitutions are scions of political families. Moreover, political dynasties exist precisely because political parties are non-existent or weak, that is, they are the consequences of rather than the reason for weakness in political institutions (de Dios, 2007). Thus, a better political reform strategy is to promote greater political competition by strengthening political parties or, short of that, encouraging political clans.

Finally, the results also dispel beliefs that the fiscal decentralization program has worsened local government inefficiency or that increased IRA shares have worsened corruption. While this may have been observed in certain places or times, the results show that the increase in the IRA per se appears to have had no effect on the likelihood of re-election. The governors still had to show improved performance corresponding to their greater fiscal resources. That is, higher outlays for economic services that promote local development, and perhaps for social services that directly benefit the constituents, are likely to improve the chances of the incumbent to win another term.

Acknowledgement

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Notes

[1] Proposed (and published) by the UNDP, the Human Development Index (HDI) is a summary measure of development comprising adult literacy rate, average life expectancy and average family income. The various HDI scores of the provinces in the Philippines are

Arguably, the expenditures on social services (i.e., health, nutrition, population) is a better measure of good performance of the incumbent governor, since these services have a more direct bearing on local welfare. While these can be easily accommodated, the focus here is on local public services that lead to higher public revenues (as the model suggests), which then can be used to improve local welfare and the overall quality of life.

The first definition is based on Gutierrez (1994) while the second definition is based on Rivera (1999).

If the IRAs are interpreted as purely fiscal transfers, the estimated coefficients support the view that fiscal inputs are less critical than outputs or outcomes in obtaining a favorable election outcome.

**References**


