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PROGRAM ON SOCIAL AND POLITICAL CHANGE

LOCAL WELFARE SPENDING IN COMPETITIVE ELECTIONS

Evidence from the Philippines

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KEY TAKEAWAYS

- Competitive elections reduce welfare spending as incumbents prioritize patronage and private goods over public services.
- Tight races push incumbents to favor loyal coalitions instead of broader welfare investments.
- Provinces whose incumbents fought with little competition are also the ones that spend more on education, healthcare, and social services.
- Policy reforms should link funding to welfare outcomes and enhance budget transparency for better governance.

SUMMARY

Competitive elections in Philippine provinces often result in reduced public welfare spending, as incumbents prioritize private goods like patronage and selective infrastructure to maintain coalition loyalty. This diverts resources from essential services such as education and healthcare, exacerbating inequality, and hindering development. Drawing from an analysis of fiscal and election data in 81 provinces from 1992 to 2022, the paper shows that intense electoral competition reduces welfare investments, as politicians prioritize short-term, visible spending instead. To address this, the Local Government Code should be amended to allow performance-based grants rewarding measurable public welfare improvements, such as reduced poverty and increased literacy. Transparency reforms should require local governments to publish detailed budgets online for citizen monitoring. Strengthening local revenue collection systems can enhance fiscal autonomy and reduce reliance on discretionary funds. Enforcing minimum public welfare spending thresholds through audits and penalties, along with mandating minimum spending on education and health, will ensure governance priorities align with equitable service delivery and long-term development.

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COMPETITIVE ELECTIONS AS PARADOX

How does competition in elections shape public service delivery? Does it, say, always lead to higher public welfare spending?

In the Philippines, where decentralization grants significant autonomy to local governments, elections play a pivotal role in shaping how public resources are allocated. Competitive elections are often seen as a driver of accountability, pushing incumbents to perform better. By subjecting incumbents to the risk of electoral defeat, competitive elections supposedly create incentives for politicians to perform better in delivering public goods and services (Ashworth 2012; Bardhan and Mookherjee 2006). In extant literature, competitive elections have been associated with, among others, increased deforestation, as when politicians offer voters access to forested areas in exchange for electoral support (Sanford 2023), pro-rural policies by the government to win the support of the rural majority (Harding 2020), improved legislative productivity in highly clientilistic political settings (Panao 2020), and better public goods provisions in the urban slums (Paniagua 2022).

However, there is also a strand of literature that finds competitive elections with limited or no positive impact (Moreno-Jaimes 2007). For example, research in Mexico found no significant improvement in local government performance due to competitive elections, suggesting that socioeconomic factors and citizen mobilization may be more influential (Moreno-Jaimes 2007; Cleary 2007). In Brazil, electoral competition does not appear to directly affect local government performance, at least not when taking ideology and citizen participation into account (Cavalcante 2017). Meanwhile, in places with weak parties and low transparency, political competition can even have countervailing effects on the provision of public goods (Gottlieb and Kosec 2019). In Argentina, increased electoral security and longer tenure of governors are associated with higher social spending (González 2017).

This creates a paradox. Although democracy is conventionally expected to push politicians to work harder for the people, the opposite seems to ensue when elections are highly competitive. Why does this happen?

Drawing from electoral and public spending data for 81 provinces of the Philippines from 1992 to 2022, this policy brief shows that, contrary to democratic theory, competitive elections dilute public service delivery, particularly in province where governance is shaped by clientelism, patronage, and weak accountability mechanisms. Though seemingly at odds with popular notion of local political dynamics, this paper contends that this observation is actually consistent with how leaders reward winning coalitions based on the Selectorate Hypothesis (Siverson and Bueno De Mesquita 2017). The winning coalition, according to this framework, consists of supporters that incumbents or leaders need to stay in power. In competitive elections, this coalition becomes smaller because politicians focus on securing the loyalty of a core group of voters or allies. To keep this group satisfied, leaders often prioritize private benefits over public goods. In less competitive elections, leaders rely on larger coalitions, making investments in public welfare a more efficient strategy to secure broader support (Bueno De Mesquita et al. 2002).

This conjecture is expounded in the succeeding sections in terms of its broader implications on Philippine local governance. This paper proceeds by first discussing the Selectorate Hypothesis to show that patterns of inefficiency and inequity in service delivery are not mere anomalies but structural outcomes of a political system that prioritizes loyalty and survival over performance and development. Afterwards, the paper provides empirical evidence showing that in the Philippines, provinces whose incumbents experienced more rigid electoral competition are also more likely to spend less on public welfare. The brief then concludes with policy recommendations aimed at strengthening institutions that depersonalize governance, foster accountability, and reduce the reliance on private goods as a tool for political survival.

A SELECTORATE LOGIC TO LOCAL SERVICE DELIVERY IN THE PHILIPPINES

Conventional wisdom suggests leaders should increase public spending to win reelections. This paper argues, however, that in clientilistic settings such as the Philippines, local public welfare expenditures tend to decrease with greater electoral competition.

To understand why, let us assume electoral competition in a province is based on two factors: the incumbent's vote share (V) and the number of candidates (C). A lower vote share indicates greater competition while a higher number of candidates suggests more competitive elections. In this stylized regime, let N pertain to total population. The incumbent relies on a winning coalition W, which comprises the minimum number of supporters the incumbent needs to stay in power. These supporters comprise a subset of the selectorate S, such as the registered voters in the province. The province has a finite amount of resources R which the incumbent allocates between public goods G (those that benefit the entire population) and private goods P (particularistic goods catering to the winning coalition), such that R = G + P.

The loyalty of the incumbent's winning coalition is determined by the benefits it receives, that is: Loyalty = P/W + G/N.

Since P/W, it can be seen that those who supported the incumbent receives more either when private good P is bigger or when the winning coalition W is smaller. Meanwhile, since public good G, is spread across the entire population N, its individual impact diminishes as it expands to cover more.

Incumbents allocate resources to congeal loyalty. Although public goods (G) benefit everyone, incumbents prefer private goods (P) because their exclusivity yield higher returns on loyalty.

To illustrate very crudely, assume P =100, G=100, W=10, and N=1,000. Here, the loyalty return of private goods is: P/W = 100/10 = 10, that is, each of the incumbent's supporter gets 10 units of private goods. Meanwhile, public goods yield: G/N = 100/1000 = 0.1, that is, each citizen, including the incumbent's supporters, receives 0.1 units of public goods.

As shown, private goods (10) provide a much greater incentive for loyalty than public goods (0.1).

Thus, when elections are competitive, as when the incumbent competed with, say, more effective candidates, incumbents' uncertainty about the composition of the winning coalition W increases, prompting them to focus on private goods (P). Similarly, when the race is tight and the incumbent won with fewer votes (V is low), incumbents have less control of the electorate and opt to spend to attract swing voters or loyal coalition members instead.

DATA AND EVIDENCE

A very simple test of this paradox using three decades of fiscal and election data (1992 to 2022) for 81 provinces of the Philippines[2] is provided. Voting and turnout data were sourced from official records of the Commission on Election. Data on local government income and expenditures were compiled from the reports of the Bureau of Local Government Finance (BLGF). These data were compiled by the Program on Social and Political Change of the University of the Philippines Center for Integrative and Development Studies and are publicly accessible through the Philippine Local Government Interactive Dataset dashboard (https://elections.cids.up.edu.ph/).

Table 1 gives a descriptive summary of the variables of interest. Public welfare expenditure is here construed as the sum of expenditures on education, health, nutrition and population control, labor and employment, housing and community development, as well as social services and welfare expenditures.

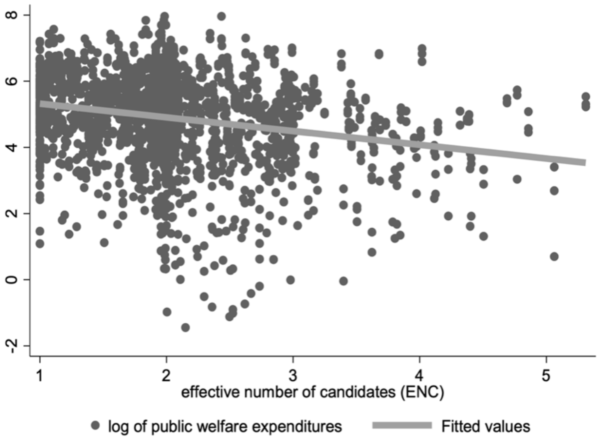
2 The dataset does not include Maguindanao Del Norte, which was created by Republic Act 11550 and ratified by a plebiscite on September 17, 2022.

TABLE 1. DESCRIPTIVE STATISTICS

VARIABLE	N	MEAN	STD. DEV.	MIN	MAX
public welfare expenditures	2,460	237.23	284.16	0.00	2865.07
vote share	2,444	0.62	0.18	0.25	1.00
effective number of candidates	2,444	2.04	0.70	1.00	5.31
IRA as share of total income	2,449	0.82	0.13	0.00	1.00
total income	2,460	1019.63	1139.20	0.00	8394.10
government expenditure as share of total expenditure	2,445	0.37	0.14	0.06	0.83
year before a presidential election	2,464	0.13	0.34	0.00	1.00

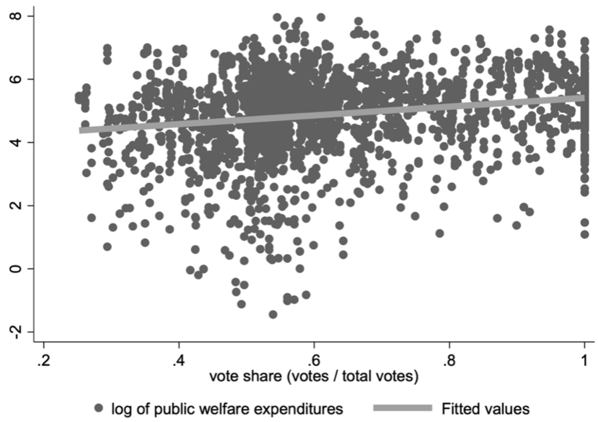
■ Source: UP CIDS (2024)

This is consistent with the BLGF's definition of general social services. Meanwhile, competitive election is measured two ways. One is through the effective number of candidates in the contest that the incumbent won (Laakso and Taagepera 1979), and the other based simply on the incumbent's vote share (Cox, Fiva, and Smith 2020). Gubernatorial contests, on average, have three candidates. However, the average effective number of candidates is only two. Lanao Del Sur in 2001 saw 13 candidates who vied for the post of the provincial executive. Yet, the maximum number of effective candidates has not gone higher than 5. Meanwhile, the average vote share is 62 percent. The smallest margin by which an incumbent won is 25 percent.



■ **FIGURE 1.** Effective number of candidates and public welfare spending. Source: UPCIDS (2024)

It is not unusual, however, to see incumbents winning by default due to the absence of challengers. The downward sloping line fit in the scatter plot in Figure 1 suggests a relationship in which incumbents tend to spend less on public welfare if they won highly competitive elections (more effective number of candidates). Figure 2, illustrates this same relationship but in the context of the incumbent's vote share, in which elections that are not competitive (higher vote share for incumbent) induces greater welfare spending.



■ **FIGURE 2.** Incumbent vote share and public welfare spending. Source: UPCIDS (2024)

Table 2 shows four econometric models summarizing the relationship between electoral competition and local public welfare spending. Model 1 is a pooled cross-sectional estimate while Model 2 is a panel fixed effect model. Both utilize effective number of candidates as measure of electoral competition. The negative coefficient in both models suggest that incumbents who won contests where there are more effective candidates also tend to spend less on public welfare. Model 3 also pools data for all provinces and years but uses the incumbent's vote share as measure. Model 4 is its fixed effect equivalent. The positive coefficient implies that incumbents who won with minimal opposition (higher vote share) also tend to spend more on public welfare. The models also took into account variables which may influence welfare spending in provinces such as the internal revenue allotment (IRA) the provinces receive from the national government and local revenue raising capacity (Panao 2021). As in the literature, it appears that IRA disincentivizes public welfare spending at the local level.

TABLE 2. THE LINK BETWEEN COMPETITIVE ELECTIONS AND PUBLIC WELFARE SPENDING

	(1) LOG OF PUBLIC WELFARE EXPENDITURES	(2) LOG OF PUBLIC WELFARE EXPENDITURES	(3) LOG OF PUBLIC WELFARE EXPENDITURES	(4) LOG OF PUBLIC WELFARE EXPENDITURES
Effective number of candidates (ENC)	-0.366***	-0.419***		
	(0.0397)	(0.0598)		
Incumbent governor's vote share			1.179***	1.354***
			(0.141)	(0.205)
IRA share in total income	-2.053***	-1.985***	-2.144***	-2.035***
	(0.281)	(0.545)	(0.282)	(0.559)
Local revenue share in total income	-0.934**	-4.728***	-1.002**	-4.820***
	(0.320)	(0.635)	(0.320)	(0.645)
Government operation expenditure	0.134	1.046***	0.218	1.111***
	(0.193)	(0.286)	(0.192)	(0.284)
Year before presidential elections	0.0867	0.0381	0.107	0.0608*
	(0.0572)	(0.0293)	(0.0572)	(0.0283)
Constant	7.395***	7.677***	5.963***	6.005***
	(0.265)	(0.530)	(0.285)	(0.562)
N	2352	2352	2352	2352
R^2	0.071	0.129	0.060	0.114
adj. R^2	0.069	0.127	0.058	0.112

■ Source: UP CIDS (2024)

The models also accounted for general expenditures on government operations, which the estimates show to have a crowding out effect on public welfare spending. While it would be curious to gauge whether incumbents spend more the year before a presidential election, this does not appear to be statistically significant except in Model 4.

POLICY RECOMMENDATIONS

In provinces with intense electoral competition, incumbents prioritize private goods over public welfare to maintain the loyalty of their supporters. Unlike in provinces where political dominance is uncontested, such as those often controlled by entrenched dynasties with secure coalitions, competitive provinces compel leaders to divert resources toward highly visible patronage strategies such as financial incentives, selective infrastructure, and political appointments. In competitive settings, even entrenched incumbents must continually reinforce their coalition's loyalty due to the constant threat posed by strong rivals. These tactics, while effective for short-term political survival, undermine investments in essential public goods like education, healthcare, and infrastructure, which have long-term benefits for the broader population.

To address this misalignment between political incentives and public welfare goals, it is important to create an environment where governance priorities shift from short-term political survival to long-term development. This is possible through amendments in the Local Government Code that provides:

a. The establishment of a conditional grant system that allocates additional funding to provinces achieving measurable improvements in public welfare outcomes.

While the Constitution guarantees that local governments automatically receive a portion of national taxes, the specific amount is not necessarily fixed. However, implementing statutes should avoid setting a rigid allocation. Rather than providing a fixed Internal Revenue Allotment (IRA), an amendment to the Local Government Code should allocate funds based on a province's performance in areas like education (e.g., improving literacy rates), healthcare (e.g., lowering infant mortality), and poverty reduction (e.g., increasing household incomes above the poverty line). The Department of the Interior and Local Government (DILG) could establish clear benchmarks and conduct annual assessments to determine funding eligibility.

2. Transparency in budget reporting.

Local government units (LGUs) should be required to publish budget reports and spending breakdowns online, including allocations for public welfare and government operations. As part of government's transparency initiatives, LGUs should be required to maintain a user-friendly online dashboard where citizens can access LGU scorecards on spending and performance. Such policy may be strengthened by imposing budget cuts and administrative sanctions against LGUs that would not comply.

c. The strengthening of local revenue collection.

If the IRA is reformed to have a grant-match component, then LGUs should likewise be provided with technical and financial support to improve their revenue collection systems. The Department of Finance's Bureau of Local Government Finance (BLGF) can create a capacity-building program, including workshops and pilot projects, that will help LGUs modernize their tax records, train personnel, and enhance their compliance mechanisms.

d. The strengthening of local government auditing process.

This could include the regular conduct of randomized audits of LGU projects to detect and deter misuse of public funds, and the setting up of a whistleblower hotline where citizens can report irregularities without fear of reprisal. The Commission on Audit, as an independent constitutional body, should be given leeway not just to publish annual reports on compliance, but to recommend budget cuts against noncompliant LGUs.

5. Minimum social spending, i.e., in education and health.

Higher social spending is associated with improved human development indices and reduced child mortality rates in developing countries (Gebregziabher and Niio-Zarazza 2014). Mandating a fixed expenditure allocation for social and public welfare is feasible and could encourage LGUs to prioritize essential services, especially in competitive provinces where spending often skews toward private goods.

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