

Local governance, corruption, and public service quality: evidence from a national survey in Vietnam

Evidence from
a national
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Vietnam

137

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Abstract

Purpose – The purpose of this paper is to examine whether higher levels of transparency, accountability, and participation have a statistically significant association with corruption, and whether corruption is highly correlated with lower public service quality in the context of Vietnam's transition economy.

Design/methodology/approach – Using individual-level survey data from Vietnam Provincial Governance and Public Administration Performance Index, the research employs an ordered probit model to test whether greater transparency, accountability, and participation is associated with lower levels of corruption. Moreover, district-level data are used to test the relationship between corruption and quality of public services particularly in healthcare and primary education.

Findings – Results show that a higher level of transparency, participation, and accountability is associated with a lower level of corruption, and that corruption is negatively associated with public service quality.

Research limitations/implications – The use of cross-sectional data does not allow the establishment of causal relationships among variables.

Practical implications – The research suggests that fostering accountability to citizens and non-state sectors and promotion of genuine participation from these actors are critical for the future anti-corruption agenda.

Originality/value – In developing countries, whether corruption enhances efficiency of service provision is highly debatable. This research contributes to this debate by suggesting that corruption significantly decreases the quality of public service, and that improving local governance helps reduce corruption.

Keywords Governance, Vietnam, Corruption, Public service

Paper type Research paper

1. Introduction

Corruption is widely seen as an obstacle for a country development (Kaufmann, 2005). At the national level, corruption deters investment, inhibits innovation, and slows down economic growth (Kaufmann, 2005; Luo, 2002). When it comes to developing countries, there is a strong debate on whether corruption has any negative impact on economic development. A number of studies have found that corruption entrenches hunger and poverty, inhibits innovation, and triggers social instability (Otusanya, 2011; Nguyen *et al.*, 2016).

Generic anti-corruption strategies often call for transparency, accountability, and participation (hereafter, TA&P) (Kaufmann, 2005; Rubin and Whitford, 2008). We follow Ackerman (2005, p. 6) to define accountability as a “pro-active process by which public officials inform about and justify their plans of action, their behavior and results and are sanctioned accordingly.” In this definition, accountability consists of three key components: measurement of goals and results; justifications of those goals and results to monitoring organizations or other factors; and punishments in case of non-performance or



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corrupt acts Brinkerhoff (2004). Along with accountability is the transparency of information. This requires the disclosure of government documents or decisions through public meetings or media and information on how performance is measured. Transparency helps strengthen accountability and inform citizens of choice (Vian, 2007). However, transparency and accountability cannot be efficiently maintained without citizen participation (Monfardini, 2010). While participation can be generally defined as the extent citizens involve in administrative decision making and managerial processes (Yang and Callahan, 2007), this paper focuses more on citizen involvement in electoral voting and participation in land planning.

Due to their comprehensive and multidimensional approach, the TA&P attributes are believed to reduce officials' discretion, increase community monitoring, and set a solid foundation for a proper punishment of corrupted acts (Khan, 2006). The implementation of these strategies, however, requires a strong rule compliance behavior and an adequate law enforcement capacity (Hors, 2000; Khan, 2006), which often are lacking in developing countries (Garcia-Zamor, 2015; Samaratunge and Wijewardena, 2009). In addition, the real driver of corruption in developing countries is not necessarily discretion of officials but rather rule-violating behavior of the related parties (Khan, 2006). Thus, TA&P strategies may not be effective in reducing at least some types of corruption in developing countries (Khan, 2006; Spector, 2005). The debate continues as strong empirical evidence, especially at the sectorial level, in developing countries is rare.

To address these gaps, we asked two questions in this study:

- RQ1. Are transparency, accountability, and citizen participation associated with lower corruption?
- RQ2. To what extent does corruption relate to quality of public healthcare and primary education?

Although corruption is highly damaging on a large scale, we particularly focus our attention on the following two basic sectors: healthcare and primary education. Many studies (e.g. Azfar and Gurgur, 2008; Khan *et al.*, 2015; Nguyen, 2007; Transparency International, 2015) reveal that these sectors that are highly prone to corruption due to their large shares in any government's budget. In healthcare sector, corruption acts take various forms such as a doctor's improper use of public facilities for private practice, producing a false bill or giving bribery in return for a contract. Meanwhile, corruption in education occurs at different scales, ranging from national education ministries to university or schools. Examples include bribes paid to teachers by parents for lowering passing criteria, selling exam information or selling degrees, and so on. While corruption in healthcare may result in a worse health outcome, corruption in education may erode all social, economic, and political value of the society by destroying personal integrity. In addition, the healthcare and education sectors have been decentralized in many countries (Channa and Faguet, 2012), raising a need for stronger TA&P in controlling corruption (Asia Pacific Institute of Management (APIM), 2010). However, whether TA&P would be effective under decentralization remains a question. Some scholars have argued that transparency and citizen participation strengthens accountability and reduces corruption, while others are doubtful on community capacity to monitor and act upon corruption-related information (Barr *et al.*, 2009). In seeking to answer the above questions, we choose Vietnam for our study. Vietnam is an ideal setting for studying this topic because the country's dual ideology (i.e. market economy under socialist direction) and ambivalent reform direction offers a unique natural laboratory on the dilemma between promoting TA&P and maintaining traditional bureaucratic state management (Painter, 2008; Nguyen *et al.*, 2015; Wright and Nguyen, 2000). The current trend of marketization and removal of public welfare has been rooted in the shortage of the state budget, rather than in modern

public management principles (APIM, 2010). This has created a high potential for corruption and quality problems in the delivery of public services (Painter, 2008). Thus, studying the links between TA&P, corruption, and public service quality in this country is practically pertinent and theoretically meaningful.

Specifically, we use the annual data from Vietnam Provincial Governance and Public Administration Performance Index (PAPI) surveys during 2011-2014 to answer the two research questions above. The surveys collected citizens' experiences on the three mutually reinforcing processes of policy making, policy implementation, and the monitoring of public service delivery across all 63 provinces in Vietnam. To address the first question, we use data at the individual level to demonstrate the relationship between local TA&P and corruption. For the second question, we gather district-level data to examine the interplay between corruption and the quality of public service delivery, while controlling for the influence of local conditions. The district-level data are actually aggregated from individual-level data collected from the PAPI. As discussed, the links between TA&P, corruption, and public service quality in developing countries has been under debate, and thus, our systematic enquiry of these issues is a contribution to the literature. The data allow us to focus our attention on education and healthcare, the most basic services in the economy.

We find that disclosure of a commune's budget and expenditure (a realization of transparency) is persistently and negatively related to corruption. The higher level of citizens' participation, in direct voting their village's head, is associated with a lower perceived degree of corruption. Lower corruption is also found negatively correlated with either the effectiveness of people's inspection boards or local government's responsiveness to citizens' concerns (i.e. proxies for accountability). In addition, high levels of corrupt acts significantly associate with lower quality of healthcare service. This negative relationship is also present in primary education sector although to a lesser extent.

Although the findings in our paper are drawn from Vietnamese experience, they are widely relevant to ongoing discussion in many developing countries on the issue of how to eliminate corruption and improve public service provision. The lessons learned from this empirical study are not only applied to Vietnam but also relevant to many other developing and transitional economies which are undergoing different degrees of combating corruption. Our findings suggest that strengthening TA&P attributes is the right strategies to improve the quality of governance and, hence, provision of public service.

The next section briefly reviews the literature on corruption, its impact on access to quality public services, and anti-corruption strategies with special attention to TA&P. Data, empirical strategies, and results are then presented. The study concludes with a discussion of the findings.

2. Literature review

2.1 *Effects of corruptions*

Corruption has been considered a major problem in human societies throughout time and space. Corruption scandals have been found not only in developing countries (e.g. China, India, Nigeria, and Vietnam) but also in developed nations (e.g. France, the UK, the USA) (Dong, 2011). While corruption may benefit a smaller number of people holding public offices, it hurts the society as a whole because corruption causes harmful effects on economic development and social welfare (Kaufmann, 1997). There exists evidence that corruption reduces the incentive of making private investment (Bardhan, 1997), distorts public investment decisions (Tanzi and Davoodi, 1997; Mauro, 1998), and erodes integrity values (Murphy *et al.*, 1991, 1993). Wei (2000) and Fredriksson *et al.* (2003) reveal that corruption lowers foreign direct investment as it implies a higher expropriation risk.

Generally speaking, corruption is more severe in developing countries than in their developed counterparts (Tanzi, 1998). According to Fisman and Gatti (2002a), developing

countries are often found to have excessive government interventions and discretionary spending and an under-performing taxation system which contains high tax rates in concurrent with loopholes and nontransparent procedures. The law enforcement in these countries is often found weak. In addition, monitoring by non-state actors is in a nascent stage. These are the main factors that nourish pervasive corruption in the countries.

Whether corruption has any positive effect in developing countries is still under debate. On the one hand, corruption is generally found to harm overall development as it reduces the incentives for entrepreneurs to make private investment and distorts public investment. Apart from the stolen revenue (e.g. tax evasion and avoidance), corruption erodes integrity, and promotes misallocation of resources (Hors, 2000; Kaufmann, 1997). Otusanya (2011) conducted a thorough literature review and found that most of the studies found harmful effect of corruption. Instead of investing in health, education, and infrastructure to pave the way for private investment, public investment is made in undesirable directions that reduce the quality of that public spending (see Otusanya, 2011 for a review). Similarly, Welsch (2004), Pellegrini and Gerlagh (2006) find that corruption exacerbates pollution in several developing countries.

On the other hand, in the absence of effective administrative system and capable public servants, corruption is believed to create some positive impact for a country's development (Meon and Sekkat, 2005; Meon and Weill, 2010). The "greasing the wheels" hypothesis was proposed prominently in the 1960s (namely, Leff, 1964; Leys, 1965), and remains under debate. Meon and Sekkat (2005) summarized the arguments supporting this hypothesis. First, corruption can speed up bureaucratic procedures. Bribes are incentives for officials to respond more quickly to citizens' requests. Second, grafts and bribes can serve as supplement income for low wage in government jobs. The paper argues that the additional incentive helps attract capable candidates which then results in better services. And finally, resources and licenses can be allocated more efficiently as the most efficient firms can pay the highest bribes.

Recent empirical evidence for "greasing the wheels" does exist, albeit less abundant than those for negative impact of corruption. Li and Wu (2010) observed a phenomenon of high corruption and high growth in China, and argued that this is because corruption is efficiency enhancing in that country. Other studies found that corruption reduce aggregate efficiency in countries where institutions are effective, yet increases efficiency (Meon and Weill, 2010) or does not harm growth where institutions are ineffective (Aidt *et al.*, 2008). Dreher and Gassebner (2013) studied whether corruption reduces the negative impact of regulation on entrepreneurship in highly regulated economies in 43 countries over the period 2003-2005. The authors found that corruption facilitates firm entry in highly regulated economies, supporting "greasing the wheels" hypothesis. In a similar vein, Vial and Hanoteau (2010) assessed the impact of plant-level corruption on output and productivity growth, using panel data from Indonesian manufacturing industry during the Suharto era (1975-1995). The authors found that corruption, measured as bribes and indirect tax payment, has a positive effect on individual plant growth.

Note that almost all empirical evidence supporting the "greasing the wheels" hypothesis were found in the context of underdeveloped institutions and highly regulated and extremely bureaucratic systems. The positive effects of corruption were found either at micro (firm or even plant) level or in purely short-term economic efficiency. The impact of corruption on blocking the reform of such inefficient institutions and systems has never been discussed in these studies. In addition, most of the evidence supporting the "greasing the wheels" hypothesis was found in the economic sector. Whether this hypothesis works in socially intensive public services, such as healthcare and education, remains unknown. Moreover, the impact of "greasing" on equity is largely ignored. Most of the positive effect of corruption is for the rich or companies who can afford the bribes.

According to Nguyen *et al.* (2016), the long-term impact of corruption on blocking institutional reform, eroding innovation and integrity is highly damaging. This is especially

true for public services, such as healthcare and education, where staff morality is an integral part of the service quality. Therefore, we hypothesize:

H1. Corruption has a negative relationship with service quality in healthcare and education.

2.2 The role of accountability, transparency, and citizen participation in combating corruption

Our hypothesis on a negative relationship between corruption and quality of public services, if supported, would stress the need for control corruption. The subsequent question would be how to do it. We turn to the literature on good governance to get insights.

Many scholars have argued that the problem of corruption in developing countries cannot be solved by simply applying anti-corruption structures that work in advanced countries (Hors, 2000; Khan, 2006). Pure TA&P strategies may not work well at the aggregated level in developing countries for several reasons. First, political corruption is quite spread in developing countries (Jancsics and Istvan, 2012; Khan, 2006). Many politicians owe their career and status to corruption, and few of them, if any, would stand against it (Hors, 2000). For this type of corruption, pure TA&P will not work since these politicians are the ones who decide how much TA&P to be applied. Second, there are obstacles for implementation of TA&P. Most developing countries lack law enforcement experts, capable public officials and the resources for these strategies (Hors, 2000; Salifu, 2008). And finally, the ignorance and silence of victims, maintained by a culture of fear nurtured by those who benefit from corruption, is another impediment to fighting corruption (Hors, 2000).

Fitzsimons (2009) conducted an empirical study on relationships between public sector reform (which resembling TA&P) and corruption. The authors found a significant increase in corruption following public sector reform, with an unusual degree of persistence even after general institutional reforms had been completed. The surprising conclusion is that unenthusiastic reformers may have better control of corruption than those who diligently pursue the recommended policies. Similarly, Vian (2007) found that increasing citizens' voice is not always easy, especially in developing countries. Citizens in these countries often have long been suppressed by corrupt governments and there is often lack of non-governmental organizations and other forms of civic activism.

The argument, however, is more about the challenge of implementing TA&P at the nation-wide scale in developing countries, rather than about the impact of TA&P on corruption. Scholars have argued for more sectoral approach where TA&P could be applied at different paces, depending on the specific conditions of the sectors (Khan, 2006; Spector, 2005). Hence, following Salifu (2008), we argue that public services (including administrative services) are among sectors that need to apply TA&P strategies, especially in early stage of country development. These services directly affect citizens' welfare, and thus their involvement is both necessary and possible. We consider that the level of TA&P would significantly reduce corruption in the provision of these services. Therefore we hypothesize:

H2. The levels of: transparency, accountability to citizens, and citizen participation are negatively related to corruption in local public services.

3. Data description

The data for the empirical analysis are drawn from the Vietnam Provincial Governance and PAPI surveys during 2011-2014 (CECODES, VFF-CRT and UNDP, 2014). The surveys were conducted jointly by the Centre for Community Support Development Studies (CECODES) under the Vietnam Union of Science and Technology Associations, and the United Nations Development Programme (UNDP) in Vietnam. This is an annual national survey of citizens'

experiences in the three processes across provinces in Vietnam: policy making, policy implementation, and the monitoring of public service delivery. Its sampling method is probability proportion to size to which the selection of districts, communes/wards, and villages/groups is randomized. Therefore, the chance of getting included in the survey is dependent on the population proportions of those geographical observations. Since 2011, the survey has been conducted in all of the 63 provinces in Vietnam. It targets annually some 207 districts, 414 communes/wards, and 828 villages/groups. Each year about 14,000 people/individuals, aged from 18 and above, are randomly selected for direct interviews by the questionnaire-based survey method[1]. We used data from 2011 to 2014 to test our hypotheses. Data were run for each year separately, and the use of multi-year data allowed us to check for consistency of the relationships between interested variables over time.

The measures for our variables are summarized in Table I.

Variables	Measure	Scale
<i>Corruption</i>		
Overall corruption	Overall corruption perception, an additive number in the six specific measures of corruption practices, i.e. diversion of state budget, bribes for land titles, bribes for health care, bribes for primary education, bribes for construction permit, and bribes for state employment	From 0 to 6
Corruption perception in health care	Perception of corruption in access to public health care	Averaged scale from 0 to 2
Corruption perception in primary education	Perception of corruption in access to primary education	Averaged scale from 0 to 2
<i>Transparency</i>		
Commune budget and expenditure disclosure	Whether commune/ward budget revenue and expenditures were publicized	Yes (1), No (0)
<i>Citizen participation</i>		
Voting in local election	Whether citizens come to vote personally in local elections of village heads or residential area heads	Yes (1), No (0)
Participation in land use planning	Whether citizens knew and gave out comments in the drafting process of commune's land use planning	Yes (1), No (0)
<i>Accountability</i>		
Effectiveness of people's inspection boards	The extent to which people's inspection boards function effectively	Yes (1), No (0)
Local government's responsiveness to citizens' concerns and complaints	People's assessment that their concerns/complaints were effectively addressed by local officials at various levels from village leaders to provincial officials	From 0 to 5
<i>Public service quality</i>		
Quality of public health care	Average percentage of surveyed citizens believing that they got good quality healthcare services at district public hospital	Average percentage – the higher the value, the better the service quality of the district
Quality of public primary education	Average percentage of citizens believing that they got good quality of primary education at public primary schools	Average percentage – the higher the value, the better the service quality of the district

Table I.
Measures of
the variables

This section shows the summary statistics of the PAPI data used in the empirical analysis. The data are constructed on the individual level (Table II), and on the district-aggregated level.

Table II shows that corrupt practices were perceived more widely by citizens over time. This is evidenced by annual increases in the overall level of corruption perception at in the period 2011-2014. On average, of six listed areas, respondents observed corruption at 1.7 in 2011, 1.8 in 2012, 1.9 in 2013, and 2.0 areas in 2014. For ease of implementation, perception measures have been widely used to capture the frequency of corrupt behaviors. The PAPI surveys have instrumented this issue since 2012 and found that the perceived level of corruption was highly correlated with the experienced level of corruption (CECODES, VFF-CRT, and UNDP, 2014, 2015)[2].

The other governance attributes indicate the stance of citizen participation, transparency, and accountability. Among them, voting in local elections and comment on commune's land use planning exhibit the degree of citizen participation in governance at localities. Citizen participation did not seem to improve over time, as there were on average 71-73 percent of people directly participated in election of the village heads in 2011-2013 but only 67 percent in 2014. In addition, the percentage of people giving out comments in drafting process of commune's land use planning was relatively stable over time, ranging from 31 to 32 percent.

In other aspects of good governance, transparency improved over time, as there was an increase in the percentage of citizens reporting that commune budget and expenditure information was disclosed, from 64 percent in 2011 to 72 percent in 2014. Accountability was at low level but enhanced annually. Specifically, the percentage of citizen reporting the real effectiveness of the People's Inspection Board increased from 52 percent in 2011 to 58 percent in 2014. Similarly, the percentage of citizens believing that their concerns and comments were effectively responded by local authorities was on average from 1.4 to 1.6 (on a scale from 0 to 5) during 2011-2014.

4. Estimation strategy

This section describes the benchmark econometric models for examining: the effects of citizen participation, transparency, and accountability on corruption; and the effects of corruption on the quality of public service delivery, specifically in the health care and primary education sectors. The former is based on the individual-level data, and the latter is reliant on the district-level aggregated data. The data used in these two classes of models is in the four-year period from 2011 to 2014.

Variables	2011	2012	2013	2014
Overall corruption perception (scale from 0 to 6) ^a	1.7	1.8	1.9	2.0
Voting in local elections %	72	73	71	67
Participation in land use planning %	31	31	32	31
Commune budget and expenditure disclosure %	64	70	71	72
Effectiveness of people's inspection boards %	52	55	57	58
Local government's responsiveness to citizens' concerns and complaints (scale from 0 to 5) ^b	1.6	1.5	1.4	1.5

Notes: ^aThe additive individuals' perception of corruption in six specific measures of diversion of state budget, bribes for land titles, bribes for health care, bribes for primary education, bribes for construction permit, and bribes for state employment; ^bthe higher the value is the more effectiveness citizens value the meeting with local authorities, at various levels from village to province, to resolve disputes/concerns

Table II.
Overall corruption
perception and some
governance attributes

4.1 The model for examining the effects of citizen participation, transparency, and accountability on corruption

The ordered probit model is employed to investigate the relationships between citizen participation, transparency, and accountability with corruption. In this model, the dependent variable, the level of corruption, is regressed on the explanatory variables related to transparency, accountability, and participation, while accounting for the other control variables:

$$y_i = \alpha + \beta X_i + \gamma Z_{1i} + \varepsilon_{1i} \quad (1)$$

where y_i is ordered levels of corruption perceived by individual i ; X_i is a vector of a number of governance covariates, including citizen participation, transparency, and accountability, which are experienced/perceived by individual i ; Z_{1i} is a vector of the other control variables, including demographic factors and province-specific effects; and ε_{1i} is a usual random error term that is independently and identically distributed.

The benchmark model (1) above is regressed on the individual-level data. The level of corruption is an additive measure of corruption perceived by individuals in the six areas of the state budget, land title, health care, primary education, construction permit, and public job recruitment. The ordered value of this measure ranges from 0 to 6, where 0 means no corruption and 6 means the highest corruption. This outcome data pattern allows the employment of the ordered probit estimator for (1). This model is estimated in every single year since the data structure is not panel[3].

There are two variables denoting citizen participation, namely, voting in local election and participation in commune's land use planning. The former exhibits whether the individuals under survey directly participated in the direct voting of the village heads, and the latter measures citizens' knowledge and their involvement in drafting commune's land use planning before it was officially put into practice. Transparency is measured by the extent that commune budget and expenditure disclosure.

Accountability is measured by two proxies: effectiveness of people's inspection boards, and the extent that local government was responsive to citizens' concerns and complaints. While effectiveness of people's inspection boards can be assessed by everyone, officials' responsiveness to people's concerns could be reliably assessed only by those who had given comments or sent complaints to the governments. Therefore we included effectiveness of people's inspection boards in the model with the whole sample (Table III), and run separate models for local government's responsiveness for subsamples that only contained those who had sent their concerns, comments, or complaints to the government (Table IV).

The benchmark model (1) also consists of demographic variables that are relevant to individual and household characteristics. These include gender, age, living experience, ethnic, education, profession, whether respondents are household heads, household sizes, and household economic conditions. Since the level of corruption is perception based, controlling for these demographic characteristics is important. In addition, controlling for the province-specific effects seems salient, as the corruption perception may differ greatly across 63 provinces in Vietnam.

4.2 The model for examining the effects of corruption on the quality of public service delivery

To examine the effects of corruption on the quality of health care and primary education, the following benchmark model is employed:

$$y_{it} = \alpha + \beta X_{it} + \gamma Z_{it} + \vartheta_i + \varepsilon_{it} \quad (2)$$

Dependent variable: overall corruption	2011	2012	2013	2014
<i>Governance attributes</i>				
Disclosure of commune budget and expenditure information	-0.314 (0.046)***	-0.347 (0.054)***	-0.127 (0.045)***	-0.202 (0.038)***
Voting in local elections	-0.049 (0.053)	-0.146 (0.048)***	-0.091 (0.042)**	-0.070 (0.034)**
Participation in land use planning	-0.046 (0.058)	-0.172 (0.057)***	-0.064 (0.052)	-0.061 (0.058)
Effectiveness of people's inspection boards	-0.0755 (0.042)*	-0.092 (0.038)**	-0.185 (0.038)***	-0.136 (0.034)***
<i>Demographic variables</i>				
Gender	0.113 (0.045)**	0.054 (0.043)	0.0783 (0.041)*	0.110 (0.036)***
Age	-0.003 (0.002)	0.000 (0.002)	-0.002 (0.002)	-0.006 (0.002)***
Length of permanent residency	0.000 (0.002)	0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Ethnicity	0.088 (0.067)	0.058 (0.076)	0.105 (0.070)	-0.014 (0.058)
University education	-0.183 (0.081)**	-0.034 (0.090)	-0.074 (0.079)	0.255 (0.073)***
High school	0.087 (0.115)	0.316 (0.108)***	0.200 (0.090)**	0.003 (0.055)
Family size	-0.004 (0.013)	-0.024 (0.014)*	-0.011 (0.011)	0.008 (0.009)
Unskilled profession	-0.096 (0.054)*	0.044 (0.063)	0.001 (0.056)	-0.073 (0.042)*
Skilled profession	-0.078 (0.069)	-0.007 (0.071)	0.059 (0.064)	0.046 (0.052)
Business owner	0.061 (0.082)	0.200 (0.087)**	0.088 (0.077)	0.038 (0.057)
Household head	-0.008 (0.048)	0.041 (0.049)	0.031 (0.040)	0.013 (0.038)
Normal economic condition	-0.167 (0.070)**	-0.008 (0.063)	-0.062 (0.060)	-0.208 (0.054)***
Good economic condition	-0.148 (0.083)*	-0.045 (0.084)	0.001 (0.073)	-0.185 (0.064)***
Province-specific effect	Yes	Yes	Yes	Yes
Log likelihood	-5,053	-5,241	-7,030	-9,494
Pseudo R^2 %	4.6	4.3	3.3	2.8
Number of observations	3,154	3,243	4,136	5,408

Table III.
Effects of
transparency,
accountability and
participation
on corruption

Notes: Standard errors are in parentheses and robust to the cross-sectional dependence within districts.
* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

where y_{it} is the aggregate quality of health care/primary education assessed by individuals in district i and in year t ($= 2011, 2012, 2013, 2014$). It is measured by the fraction of citizens giving good score for the perceived quality of healthcare or primary education at public hospitals or public primary schools in each district; X_{it} the mean levels of corruption in the specific areas of health care and primary education in district i and year t ; Z_{it} is a vector of the other covariates including economic condition, coverage of health insurance (a determinant of health care), education, and general infrastructure in district i and year t ; θ_i is an unobservable district-specific effect, which differs across district but does not change over time; and ε_{1t} is an error term.

The factor of local economic conditions is a critical one to determine the quality of health care and primary education. There are two variables to capture the economic condition at districts in Equation (2): rate of poor households and rate of households with normal and good economic conditions. The quality of health care is specifically affected by the ratio of people having health insurance in districts, denoted by the variable having health insurance. In addition, the quality of general infrastructure is likely to affect the access, and, in turn, the quality of these two public services. In this study, variables such as access to national electricity, access to paved or concrete roads, and access to tap water supply represent the initial conditions of local infrastructure that might affect the quality of health care and primary education. In a certain district the ratios of individuals obtaining the levels of high school and university education are employed to control for citizen knowledge that might affect citizens' perception of the quality of public services.

Dependent variable: overall corruption		2011	2012	2013	2014
Local government responsiveness to citizens' concerns					
		-0.043 (0.026)*	-0.059 (0.032)*	-0.101 (0.032)***	-0.085 (0.025)***
<i>Demographic variables</i>					
Gender		0.161 (0.064)**	0.185 (0.063)***	0.174 (0.066)***	0.0727 (0.064)
Age		-0.005 (0.003)	-0.004 (0.003)	-0.005 (0.003)	-0.008 (0.003)***
Length of permanent residency		0.001 (0.002)	0.000 (0.002)	-0.001 (0.002)	-0.002 (0.002)
Ethnicity		0.068 (0.090)	0.101 (0.093)	0.214 (0.103)**	0.021 (0.080)
University education		-0.238 (0.096)**	-0.043 (0.120)	-0.078 (0.117)	0.184 (0.120)
High school		0.023 (0.137)	0.259 (0.142)*	0.221 (0.145)	-0.128 (0.086)
Family size		-0.039 (0.017)**	-0.031 (0.019)	-0.017 (0.014)	-0.002 (0.014)
Unskilled profession		-0.120 (0.073)*	0.087 (0.085)	-0.049 (0.084)	-0.014 (0.075)
Skilled profession		-0.077 (0.102)	0.134 (0.095)	-0.113 (0.099)	0.156 (0.099)
Business owner		0.125 (0.105)	0.153 (0.105)	-0.062 (0.126)	0.033 (0.109)
Household head		0.006 (0.077)	0.000 (0.071)	-0.040 (0.074)	0.031 (0.069)
Normal economic condition		-0.091 (0.077)	-0.177 (0.084)**	-0.111 (0.113)	-0.277 (0.081)***
Good economic condition		-0.139 (0.102)	-0.227 (0.109)**	-0.018 (0.127)	-0.336 (0.105)***
Province-specific effect		Yes	Yes	Yes	Yes
Log likelihood		-2,613	-2,643	-2,675	-3,060
Pseudo R ² %		5.3	4.6	3.8	4.5
Number of observations		1,587	1,585	1,537	1,771

Table IV.
Effects of
accountability on
corruption: a
subsample analysis

Notes: Standard errors are in parentheses and robust to the cross-sectional dependence within districts.
* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

There are thus many factors working on the quality of health care and primary education at the district level. To address this issue, Equation (2) is estimated using the panel-data fixed effect regression.

5. Result analysis

5.1 Relationship between transparency, accountability, and citizen participation with corruption

Table III shows the regression results for the effects of citizen participation, transparency, and accountability on corruption. The model specification (1) in Section 5 is estimated separately for every single year from 2011 to 2014. The data are drawn from individuals' experiences on the three attributes of local governance and corruption. We checked and did not find multicollinearity problem in the models.

Obtained results indicate that the disclosure of the commune budget and expenditure (transparency) is persistently related to lower levels of corruption in all years of study, from 2011 to 2014. This generally supports *H2a*. Citizen participation in the voting of the villages' head is negatively related to corruption during 2012-2014, while participation in land planning was negatively related to corruption but the coefficients were only significant in 2012. This lends a support for *H2c*.

Another channel for curbing corruption is to enhance accountability in the public sector. The effectiveness of people's inspection boards (Table III) is found to be associated with lower corruption through every single year in the sample. There is evidence, as documented in Table IV, that the responsiveness of public officials is also an important accountability channel for curbing corruption. The estimated coefficients for local government responsiveness are significantly and negatively related to corruption throughout 2011-2014. *H2b* is strongly supported by this result.

With respect to the other control variables, both in Tables III and IV, the empirical results show that there are no significantly consistent relationships between age, length of permanent residency, ethnic, family size, profession, the status of household's head with corruption levels as perceived by individuals in 2011-2014. Some other demographic variables such as gender, education, and household's economic condition have significant coefficients in selective years. The individuals living in household with good and normal economic conditions judge corruption less severely than those living in household with poor economic conditions. In 2014, the former perceived corruption reduced by the level of about 0.2-0.3 than the latter. These results are generally in line with studies by other scholars which find that people's propensity to reject or report corruption varies across individuals depending on their background of education (Truex, 2011; Lavena, 2013), gender (Goetz, 2007), age (Seligson, 2002; Lavena, 2013), and financial well-being (Soares, 2004; Melgar *et al.*, 2010). Having an insight into these issues will help anti-corruption actors focus their resources on areas where they work best to encourage citizens to join forces with them to address corruption (Walton and Peiffer, 2015).

5.2 Relationship between corruption and quality of public health care and primary education

Tables V and VI, respectively, show the estimated results for the association between corruption and the quality of health care and primary education, after having controlled the other factors deemed to affect the services' quality at localities.

Dependent variable: averaged quality of health care	(1)	(2)	(3)
Perception of corruption in public health care	-0.070 (0.013)***	-0.057 (0.013)***	-0.063 (0.014)***
Rate of poor households		-0.107 (0.030)***	-0.126 (0.040)***
Having health insurance		0.062 (0.027)**	0.063 (0.029)**
High school			-0.003 (0.040)
University education			-0.160 (0.053)***
Normal household economic condition			-0.057 (0.044)
Good household economic condition			-0.137 (0.054)**
Access to national electricity			0.048 (0.077)
Access to paved or concrete roads			0.071 (0.031)**
Access to tap water supply			0.042 (0.027)
Number of observations	824	788	719
R ² (within) %	4.7	6.6	12.3

Table V.
Corruption and the
quality of health care

Notes: Standard errors are in parentheses. ** $p < 0.05$; *** $p < 0.01$

Dependent variable: quality of primary education	(1)	(2)	(3)
Perception of corruption in public primary education	-0.040 (0.014)***	-0.033 (0.015)**	-0.037 (0.015)**
Rate of poor households		-0.124 (0.031)***	0.035 (0.039)
High school			-0.005 (0.040)
University education			0.054 (0.052)
Normal household economic condition			0.044 (0.044)
Good household economic condition			0.120 (0.053)**
Access to national electricity			0.179 (0.075)**
Access to paved or concrete roads			0.113 (0.030)***
Access to tap water supply			0.029 (0.027)
Number of observations	824	788	719
R ² (within) %	1.2	3.5	8.8

Table VI.
Corruption and the
quality of primary
education

Notes: Standard errors are in parentheses. ** $p < 0.05$; *** $p < 0.01$

5.2.1 Relationship between corruption and quality of public health care. There are three model specifications in Table V, where the relevant control variables are subsequently included in the regressions. The overall empirical findings across specifications (1)-(3) indicate that corruption has a negative association with the quality of health care. These coefficients are statistically significant at the very high level of 1 percent and consistent in magnitude across all the specification equations. *H1a* is supported.

With respect to the other determinants of healthcare, in the specification Equations (2) and (3), the districts with higher rates of poor households have significantly lower quality of health care. This finding raises concerns over the most disadvantageous districts in Vietnam, where prolonged poverty could deteriorate basic health care for the local people. The status of having health insurance could also have potential effects on the quality of health care at district hospitals. The specifications (2) and (3) manifest that districts with the higher rates of people having health insurance is associated with the higher quality of health care. In the districts with the higher rates of people having university education, the quality of health care is lower. This finds evidence in the specifications (3), as the estimated coefficients for the variable university education are both negative and statistically significant at the level of 1 and 5 percent, respectively. Additionally, in those districts with the higher rates of households with good economic condition, the quality of health care is also perceived lower as indicated in the specifications (3). These findings might be grounded on the fact that people with higher education and better household economic conditions are better aware of, and have a higher demand as well for, high quality public services, resulting in the lower quality of health care as exhibited in the regression equations.

5.2.2 Relationship between corruption and quality of public primary education. Table VI shows that corruption has a negative relationship with the quality of primary education at the district level. These effects are statistically significant and consistent in magnitude across the three model specifications from (1) to (3). Specifically, the estimated coefficients for the variable corruption perception in primary education basically remain unchanged when further control variables are included in the relevant regression models. *H1b* is supported.

In comparison with the health care sector, the relationship between corruption and quality of primary education was less clear due to its universal coverage and free access (in the public schools). The estimated coefficient shows that the quality of primary education is negatively associated with the rate of poor households, but this effect is no longer statistically significant in (3) where additional control variables are included. The household economic condition related positively to the quality of primary education, namely, the quality is perceived higher in the districts with the higher rates of households having the good economic condition compared to those having the poor economic conditions. In addition, the conditions of the local infrastructure related to paved/concrete roads and the national electricity's access have a positive association with the quality of primary education.

Clearly, by establishing a negative relationship between corruption and quality of public provision of healthcare and primary education, our results do not support the "greasing the wheels" hypothesis. According to Meon and Sekkat (2005) and Meon and Weill (2010), in an economy where institutions are weak, there may be short-term gains associated with some form of corruption. For example, bribes can speed up some administrative procedures as they are paid in exchange for better or fast track services from the officials. However, in our sample, these short-term gains are not enough to offset long-term costs associated with corruption. These costs may come in the form of losses of innovation, commitment, and morality of service delivery staff (e.g. Gebel, 2012; Nguyen *et al.*, 2016). This is because when

corruption is prevalent, public service providers pay more attention to getting bribes or informal payments from citizens and are distracted from improving quality of service. In healthcare and primary education, resources designated to a particular commune or district may be drained by corrupt behaviors by the time they reach the end-users. The consequence is more severe in poor areas where commitment, morality, and innovation of the authority are found more fragile.

6. Concluding remarks

In this study, we set out to empirically examine whether or not citizen participation, transparency, and accountability are associated with lower level of corruption, and whether lower levels of corruption relate to better public service quality. To that aim, we utilize PAPI data on provincial governance in Vietnam provided by the UNDP. Our results show that persistent corruption is associated with low-quality education and healthcare services. This means that the “greasing the wheels” synthesis is refuted in our sample. Although bribes may speed up some administrative procedures and provide incentives for better services, these effects are largely short term and transaction specific. This insight is important for Vietnam and other developing countries where bureaucratic procedures may induce a temptation for bribery and corruption and cloud the long-term damage of such corrupted acts.

We also find that TA&P measures associate with lower levels of corruption. This result supports the “good governance” hypothesis which proposes that TA&P are effective anti-corruption strategies, even in developing countries (see Kaufmann, 2005; Wells-Dang *et al.*, 2015). It should be noted that while we conceptualize participation, accountability, and transparency as three attributes of local governance, transparency and participation are likely the preconditions of accountability, as previously discussed by Devas and Grant (2003) and Wells-Dang *et al.* (2015). Investigating this complex relationship among TA&P will be the next interesting topic in our research agenda.

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Notes

1. For the detailed description of the PAPI surveys, including the survey method and its content, log onto: <http://papi.vn/en/faq.html>
2. In capturing the true level of corruption in a given public service delivery, the PAPI surveys divided the respondents in half: one receives a set of questions comprising of no unofficial cost payment, another received a different set of questions comprising of unofficial cost payment, besides common practices of getting accessed to public services. The difference between the two averaged numbers of activities reported in the groups of respondents reflects

the true level of corruption in practices. This is the technique of using listed and unlisted questions in surveys.

3. The annual number of respondents was chosen by random sampling and the individual identifiers were not tracked over time.

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