Governing from Below: The Impact of Subnational Governance Quality on Wellbeing

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Abstract

Research has extensively demonstrated the importance of national governance quality for economic performance and societal wellbeing. Yet, such aggregate analyses often overlook the impact of subnational governance, the political unit closest to the people. Consequently, the relationship between subnational governance quality (SGQ) and socioeconomic outcomes remains underexplored. This study addresses this gap by investigating how (perceived) SGQ influences subjective wellbeing, using individual-level survey data from over 128,000 respondents across 34 African countries. OLS estimates suggest that a one-standard-deviation increase in SGQ decreases economic insecurity by about 3 percentage points (pp) and improves perceived living conditions by 7 pp, the two measures of subjective wellbeing employed in the study. However, these estimates may be biased due to endogeneity, such as happier individuals rating governance more favorably (reverse causality) or better-off individuals residing in well-governed areas (self-selection). To address these issues, I construct a leave-out-one mean instrument which averages the governance evaluations of *all other* community members to instrument for an individual's own assessment. Employing this instrument, the results confirm the causal impact of SGQ on subjective wellbeing. Specifically, a one-standard deviation increase in SGQ reduces economic insecurity by 5.2 pp and increases living conditions by 13.5 pp. These findings suggest that improving governance at the subnational level can lead to meaningful improvements in individual wellbeing.

Keywords: subnational governance quality, subjective wellbeing, economic insecurity, Africa

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I. Introduction

The quality of governance is widely recognized as a cornerstone of economic development and societal wellbeing. Extensive research has shown that at the national level, governance quality shapes economic performance, political stability, and individual welfare (Acemoglu et al., 2001; Kaufmann et al., 2009). However, governance is not monolithic; it operates across multiple levels, from grassroots institutions to national authorities. While national governance has been extensively studied, subnational governance, which directly interacts with communities and individuals, remains underexplored. Yet, subnational governments play crucial roles in overseeing essential services such as public infrastructure development, service delivery, and resource allocation (Bardhan, 2002).

Since subnational governments oversee essential services, their effectiveness is likely to have profound implications for individual wellbeing. However, this relationship remains understudied. This study addresses this gap by investigating how subnational governance quality (SGQ) affects subjective wellbeing[1] in Africa. SGQ is particularly relevant in Africa, where historical factors (such as colonial rule), ethnic diversity, and access to natural resources have led to stark variations in the quality of local governance (Michalopoulos and Papaioannou, 2013; Mamdani, 1996). Variations in governance quality across regions and localities within the same country can create disparities in access to essential services and economic opportunities. These disparities, in turn, can profoundly shape individual wellbeing. Therefore, examining the relationship between subnational governance and wellbeing in such a diverse context offers valuable insights into how political institutions influence individual wellbeing.

In this study, I rely entirely on survey data to construct indices of SGQ and subjective wellbeing. To avoid confounding service delivery (outcomes) with governance quality, I construct the SGQ index based primarily on procedural aspects of local governance, which focuses on how local governments operate rather than what they deliver. The key components of SGQ include responsiveness, trustworthiness, perceived corruption, and general performance of Local Government Councils (LGCs), the closest and most immediate political unit in most African countries. High SGQ is characterized by local governments that are responsive to citizen needs, trustworthy, perceived as having low corruption, and viewed as performing well in their governance

[1] In this study, the terms subjective wellbeing, individual wellbeing, and self-reported wellbeing mean the same and will be used interchangeably.

responsibilities, while low SGQ indicates the opposite.

For subjective wellbeing, the study conceptualizes and measures it based on two primary dimensions, namely economic insecurity and perception of living conditions. The economic insecurity index captures how frequently individuals experience shortages in five critical areas: food, clean water, medical treatment, cooking fuel, and cash income. This index reflects the material and resource-based aspect of subjective wellbeing, aligning with approaches that emphasize economic security and access to essential resources. The perceived living conditions measure is based on individuals' self-rated wellbeing, which ranges from "very bad" to "very good." This measure reflects the cognitive dimension of subjective wellbeing, capturing how people feel about or evaluate their overall quality of life.

I use Afrobarometer survey rounds 5, 6, 7 and 8 with over 128,000 respondents across 34 African countries to explore the relationship between SGQ and subjective wellbeing. This dataset is suited to this analysis because it captures individuals' own perceptions of local governance and their own wellbeing. That is, it allows me to measure the impact of local political institutions on wellbeing from individuals' perspectives, rather than relying on aggregate statistics.

To isolate the effect of SGQ within countries, I include country fixed effects in all models. This ensures that observed variations in wellbeing are driven by differences in local governance quality rather than national-level factors. The OLS results reveal a strong association between SGQ and both measures of subjective wellbeing. A one-standard deviation increase in the quality of local governments reduces economic insecurity by 2.6 percentage points (pp) on a 0–100 scale and increases the likelihood of individuals rating their living conditions as "fairly good" or "very good" by 6.3 pp.

However, these associations do not necessarily imply a causal relationship between SGQ and subjective wellbeing due to potential endogeneity concerns. One form of endogeneity would be reverse causality in that happier individuals (or those more satisfied with their lives) might view their local governments more favorably, even if the actual quality of governance has not improved. Alternatively, individuals who are more economically secure may choose to reside in areas with better subnational governance, creating a selection bias. Such scenarios could overstate the impact of SGQ on subjective wellbeing.

To address these endogeneity concerns, I construct a "leave-out-one" mean instrument

for SGQ. This approach uses the average perception of governance quality reported by other respondents within the same community to instrument for an individual's own rating of subnational governance. The rationale is that individuals within a community experience the same local government and are therefore likely to have similar perceptions of its quality. As a result, the collective average reported by others serves as a strong predictor of any individual's assessment. By excluding an individual's response from the community average, this method ensures that the instrument captures community-level governance quality rather than personal biases. This allows me to identify the causal effect of SGQ on subjective wellbeing.

The results from the IV estimation confirm the robust impact of SGQ on subjective wellbeing. The IV estimates are substantially larger than the OLS estimates, suggesting that the OLS results may have been biased downward due to measurement error or other endogeneity concerns. Specifically, I find that a one-standard deviation increase in SGQ reduces economic insecurity by 5.2 pp on a 0–100 scale. Additionally, it significantly enhances individuals' self-assessment of their living conditions by increasing the likelihood that they rate their living conditions as "fairly good" or "very good" by 13.5 pp. Overall, these findings provide compelling evidence of the causal relationship between subnational governance quality and subjective wellbeing. The findings affirm that the quality of subnational governance shapes not only the material aspects of wellbeing, such as access to critical resources, but also individuals' overall perceptions of their quality of life.

I also explore the heterogeneous effects of SGQ across demographic groups. While SGQ still improves subjective wellbeing overall, its effects attenuate in rural areas but strengthen with education level and employment status. However, the impact remains largely universal across gender and age groups.

Beyond addressing endogeneity and heterogeneity, I also conduct a series of sensitivity checks to test the robustness of my findings. These include restricting the SGQ index to strictly procedural components, employing Principal Component Analysis (PCA) to construct an alternative governance index, and examining the independent effects of the SGQ components. Across all specifications, the results consistently affirm the strong relationship between governance quality and subjective wellbeing.

As an additional robustness check, I examine the impact of SGQ on individual components of economic insecurity, including food, water, medical care, cooking fuel, and cash income shortages. I distinguish between moderate and severe insecurity, where

the former captures whether the respondent *ever* went without the item in the past year, while the latter indicates whether the respondent *always* went without it. The results confirm that governance quality significantly reduces both types of insecurity. However, the impact is relatively smaller for severe deprivation, likely because extreme insecurity is concentrated among the most vulnerable populations. Finally, I redefine self-reported wellbeing, examining whether governance quality increases the likelihood of respondents feeling "very good" about their living conditions. The results indicate that improvements in governance quality enhance individuals' probability of rating their wellbeing as "very good".

This study makes three key contributions to the literature. First, while most research has focused on national governance and its impacts, this study shifts the focus to subnational governance. Studies focusing on national governance, such as (Helliwell and Putnam, 1995), treat governance as a uniform factor across an entire country. Such approach fails to capture the lived experiences of individuals, especially in countries (like those of Africa) with starkly contrasting local governance structures. By shifting the focus to subnational governance, my study provides critical insights into the role of the closest political unit in shaping individual wellbeing. As the political structure closest to citizens, local governments often operate in more direct and visible ways than national governments, increasing their accountability to the people they serve. They directly influence the delivery of essential services such as infrastructure, education, and healthcare which have immediate impacts on people's lives.

Second, by focusing on subnational governance, this study also aligns with and complements the body of literature emphasizing how decentralized governance can enhance service delivery, foster accountability, and drive economic development at the local level (Bardhan, 2002; Ostrom, 1990). Decentralized systems allow for tailored solutions that meet the specific needs of local communities, ensuring resources are used more efficiently and effectively. By examining governance at this local level, the study provides fresh insights into how these systems can drive development and improve people's wellbeing.

Third, this study is the first to examine the impact of local governance quality on subjective wellbeing in Africa. To my knowledge, only Iddawela et al. (2021) have investigated the role of subnational governance quality in the context of regional economic development in Africa, using similar measures of local governance quality. However, their study focuses primarily on aggregate economic outcomes, specifically regional

GDP as measured by nightlight data, rather than subjective wellbeing. Moreover, their study emphasizes variations in governance quality only at the regional level. My study shifts the focus from mere regional economic indicators to more personal and subjective evaluations of life satisfaction and economic security.

The rest of the study is structured as follows. In section II. I provide a conceptual framework explaining the concepts of subnational governance quality and subjective wellbeing, and how the two are linked. In section III. I describe the survey data and how it is used to construct the indices of subnational governance quality and economic insecurity. I also outline the empirical frameworks in this section. I report the empirical results in section IV. and conclude the study in section V..

II. Conceptual Framework

In this section I discuss the concepts of quality of subnational governance and subjective wellbeing. Then I outline the potential pathways through which high-quality subnational governance can improve subjective wellbeing.

II.I Understanding the Quality of Governance

The concept of governance has been defined in various ways in the literature. A widely accepted definition describes governance as the processes and institutions through which authority is exercised in a society, including decision-making, policy implementation, and the mechanisms of accountability (Chibba, 2009; Fukuyama, 2013; Kaufmann et al., 1999; World Bank, 1992). While this definition can apply to governance at multiple levels, it has often been used to conceptualize governance primarily at the national level, overlooking the lower tiers of governance – the focus of this study. A more inclusive definition, provided by the United Nations Development Programme (UNDP), conceptualizes governance at all levels. The UNDP defines governance as the exercise of political, economic, and administrative authority to manage a country's affairs ***at all levels*** (UNDP, 1997). This definition explicitly acknowledges all tiers of government, including subnational governance structures, making it more relevant to this study.

An important question that naturally arises from these definitions is what constitutes high-quality governance? Although scholars continue to debate its precise characteristics, most extant conceptualizations of high-quality governance emphasize features such as capacity (or autonomy), transparency, accountability, efficiency, and inclusivity. For instance, Fukuyama (2013) describes governance quality as the capacity of institutions to effectively implement policies and deliver public goods. Rothstein and Teorell (2008) highlight impartiality in the exercise of public power as a defining attribute of high-quality governance. Similarly, Agere (2000) highlights transparency, accountability, and public participation as essential principles for promoting good governance. In contrast, Kaufmann et al. (2009) operationalize governance quality through measurable indicators such as government effectiveness, regulatory quality, and control of corruption. Grindle (2004) argues for the concept of "good enough governance," emphasizing context-specific reforms and achievable goals as opposed to idealistic standards.

While these characteristics define governance in general, their relevance is even more pronounced at the lower tiers of government since local governments directly interact with the citizens and oversee essential service delivery. In this regard, the quality of local governments encompasses how effectively local institutions manage public resources, provide essential services, and ensure accountability at the regional or municipal level (Bardhan, 2002; Manor, 1999; Ostrom, 1990). Thus, ensuring high-quality governance at this level is crucial as it directly influences citizens' access to public goods and their overall welfare.

Yet, despite its importance, the quality of local governance is rarely uniform within countries. Subnational governance quality often varies widely, reflecting the differences in local institutional capacity, accountability mechanisms, and resource availability. This is particularly critical in regions like Africa, where national governance often falls short in meeting local needs and where local governance quality varies starkly across localities. In such contexts, the role of local governments in shaping societal development and citizens' overall wellbeing cannot be overstated.

Since governance quality can be understood in different ways, this study focuses primarily on how local governments function rather than what they deliver. In other words, it examines the procedures and processes through which local governance operates rather than specific service delivery outcomes. The reason for this distinction is to avoid conflating the quality of governance with the availability of public services, which may be influenced by external factors such as national policies or resource constraints.

As local government quality is a multifaceted concept, I adopt an index that captures multiple dimensions of local governance to ensure a more complete assessment. Specifically, I focus on four key dimensions of Local Government Councils (LGCs), including responsiveness to citizen needs, general performance, trustworthiness, and perceived corruption. High SGQ is characterized by LGCs that are responsive to citizen needs, perceived as performing well in their responsibilities, trustworthy in their dealings, and perceived as minimally corrupt. In contrast, low SGQ indicates low responsiveness, poor performance, lack of transparency, and diminished public trust.

While responsiveness, trustworthiness, and perceived corruption of LGCs are generally procedural, "general performance" is quite ambiguous. General performance blends both procedural governance and service delivery, depending on how respon-

dents perceive it. The survey asks individuals to rate the overall performance of their LGCs, but it does not specify whether this evaluation is based on how officials govern (e.g., fairness, accountability, responsiveness) or what they provide (e.g., roads, water, schools). As a result, some respondents may assess performance based on governance processes, while others may focus on service delivery outcomes. While this ambiguity exists, general performance remains a useful indicator of governance quality because both procedural effectiveness and service provision shape public perceptions of local governments. I later drop this component of the index to test the robustness of the empirical results.

II.II Understanding Subjective Wellbeing

Subjective wellbeing is a multidimensional concept, but it essentially reflects how individuals evaluate their quality of life. This includes both cognitive assessments, such as life satisfaction, and affective dimensions, including the presence of positive emotions and the absence of negative emotions (Diener, 1984; Kahneman et al., 1999). While these definitions provide a broad framework, some scholars focus on specific facets of individual wellbeing. For instance, Ryff (1989) emphasizes psychological wellbeing, which encompasses autonomy, purpose in life, and personal growth. Other perspectives distinguish between different forms of wellbeing. Kahneman et al. (1999), for example, differentiate between hedonic wellbeing, which is pleasure-based, and eudaimonic wellbeing, a meaning-based component.

While these perspectives focus on individual wellbeing, other scholars emphasize the role of social factors in shaping subjective wellbeing. For example, Helliwell and Wang (2011) highlight trust, social support, and community engagement in shaping subjective wellbeing. These social factors complement the material dimensions of wellbeing by emphasizing the importance of relationships and communal interactions for life satisfaction. Collectively, these varying perspectives reinforce the complexity of subjective wellbeing, which integrates individual emotions, cognitive evaluations, and broader social and cultural influences.

In the context of this study, subjective wellbeing is conceptualized and measured through two distinct indices that *closely* align with these broader and specific definitions. The first measure is an economic insecurity index, which captures the frequency with which individuals experience shortages of critical needs, including food, clean drinking water, cooking fuel, cash income, and medical treatment. This index reflects

the material and resource-based dimensions of wellbeing, aligning with approaches that emphasize the importance of economic security and access to basic needs (Kahneman et al., 1999; Clark et al., 2008; Stiglitz, 2000).

The second measure captures respondents' self-assessment of their living conditions, using a scale from "very bad" to "very good." This subjective evaluation aligns with cognitive definitions of subjective wellbeing, particularly life satisfaction, which is central to much of the literature on wellbeing (Diener et al., 1985). Together, these two measures provide a comprehensive perspective on subjective wellbeing, capturing both the material and perceptual dimensions of individual welfare.

II.III Linking Subnational Governance Quality to Subjective Wellbeing

The link between subnational governance quality and subjective wellbeing is rooted in the idea that well-functioning local governance – characterized by effectiveness, efficiency, accountability, transparency, and responsiveness – directly influences individuals' daily lives. Subnational governance quality affects individual wellbeing through multiple direct and indirect pathways.

First, high-quality subnational governance ensures equitable access to essential services such as healthcare, education, and infrastructure, which directly improve material living conditions (Kahneman et al., 1999; Bardhan, 2002; Booth, 2011). Second, transparent and accountable local governance fosters trust in institutions, which creates a sense of security and social cohesion (Helliwell and Wang, 2011; Putnam, 2000; Rothstein and Teorell, 2008). Conversely, corruption or inefficiency in local governance erodes public trust, fostering dissatisfaction and lowering wellbeing (Treisman, 2007).

Moreover, effective local governance mitigates economic insecurities by providing safety nets and facilitating access to essential goods and services (Faguet, 2014; Sen, 1999). Furthermore, the proximity of local governments to citizens allows them to address specific community needs, ensuring that policies are more targeted and effective (Ostrom, 1990; Smoke, 2003). Conversely, deficiencies in subnational governance quality may exacerbate economic insecurity, diminish life satisfaction, and reduce trust in public institutions.

Additionally, political engagement serves as another key pathway through which subnational governance quality influences wellbeing. When local governments are effec-

tive, citizens are more likely to engage in political processes such as voting, attending community meetings, or directly contacting local officials (Dalton, 2008). Such participation fosters a sense of empowerment, as individuals feel they have a voice in decision-making, which can enhance overall life satisfaction. In well-governed localities, active civic engagement reinforces government responsiveness and strengthens institutional trust (Norris, 2011). However, in poorly governed areas, participation often stems from frustration rather than empowerment, as individuals engage politically to express grievances rather than influence change (Kriesi, 2015). Thus, the impact of political participation on wellbeing is shaped by the quality of local governance structures.

In this study I focus on how effective subnational governance can improve subjective wellbeing in Africa, where the quality of local governance within countries varies substantially. By focusing on subnational governance quality, the study sheds light on how well-functioning local governance structures can enhance subjective wellbeing and, consequently, the need to strengthen subnational governance systems as a pathway to enhancing individual wellbeing.

III. Data and Methodology

In this section I describe the data and the empirical strategies employed in the study.

III.I Data

For all analyses in the study, I use individual-level survey data from Afrobarometer. Specifically, I use survey rounds 5, 6,7, and 8. Afrobarometer is a non-profit research organization that conducts nationally representative, opinion-based surveys on social, political, and economic issues across more than 30 African countries. Each survey round typically samples 1,200 or 2,400 respondents per country. The survey questions are standardized across rounds, although they are periodically updated to reflect emerging issues and trends. The questions used in this study were asked in the same way across all the four survey rounds.

III.I.I Subnational Governance Quality

Afrobarometer survey includes questions that ask respondents to directly evaluate the quality of their elected local government councils (LGCs). LGCs represent the closest and most immediate form of political governance for citizens. In most cases, members of these councils are periodically elected for fixed terms and play a critical role in administering local governance. In many African countries, LGCs operate with considerable autonomy, either raising revenue locally or managing funds appropriated from the central government (Okorie et al., 2023). These councils are tasked with providing essential services, such as infrastructure development, healthcare delivery, and the establishment of educational facilities.

This study examines how the quality of these LGCs affects people's wellbeing. To measure the quality of the LGCs, I construct an index that evaluates four key dimensions of LGC performance:

1. General Performance: *Do you approve or disapprove of the way that the following people have performed their jobs over the past twelve months, or haven't you heard enough about them to say? Your elected [local government councilor]*
   1=Strongly disapprove, 2=disapprove, 3=Approve, 4=Strongly approve

2. Responsiveness to Local Needs: *How much of the time do you think the following try their best to listen to what people like you have to say: A local government*

councilor?
0=Never, 1=Only sometimes, 2=Often, 3=Always

3. Trustworthiness: *How much do you trust each of the following, or haven't you heard enough about them to say about them: [your elected local government council].*
   0=Not at all, 1=Just a little, 2=Somewhat, 3=A lot

4. Perceived Corruption: *How many of the following people do you think are involved in corruption, or haven't you heard enough about them to say: Local government councilors?*
   0=None, 1=Some of them, 2=Most of them, 3=All of them

As outlined, all the survey questions under review have four-option responses, with assigned values ranging from 0 to 3. The only exception is the "general performance" question, which is measured on a 1 to 4 scale. To ensure consistency across all the four components, I adjust the 0–3 scale questions to a 1–4 scale by adding 1 to each response value. Additionally, I reverse the scale for the "perceived corruption" question so that higher values correspond to lower perceived corruption. This ensures that higher values for all the components indicate better governance quality.

For each respondent i, I calculate their perceived quality of LGCs (SGQ_i) as the average of their responses to these four questions. To make the results more interpretable, I standardize the (SGQ_i) index to have a mean of zero and a standard deviation of one (z-score).

Table 1 presents the Spearman's rank correlation matrix of these variables. The individual components of the SGQ index are all statistically positively correlated at a one percent significance level. Thus, these aspects of governance quality tend to reinforce one another. Among the components, trust in LGCs and general performance show the strongest correlation at 0.44. This suggests that perceptions of high performance by local government councils likely foster greater trust in elected officials, although the exact direction of causation is indeterminate.

The second strongest relationship is between trustworthiness and perceived corruption, with a correlation of 0.33. This implies that lower perceptions of corruption are associated with greater trust in LGCs. This preliminary observation is consistent with broader governance literature emphasizing the detrimental impact of corruption on institutional trust. Responsiveness and general performance also exhibit a mean-

ingful correlation of 0.32, suggesting that LGCs perceived as more responsive are also seen as performing well.

The lowest observed correlation is between perceived corruption and responsiveness (0.16). Overall, trustworthiness emerges as the most interconnected dimension, showing the strongest correlations with all other components. This suggests that trust in local governance serves as a central element of how individuals evaluate the quality of their LGCs.

III.I.II Economic Insecurity

I use a similar approach to construct an Economic Insecurity (ECONINS) index. The ECONINS index captures five critical needs including food, clean water, medical treatment, cooking fuel, and cash income. This index captures the material and resource-based aspects of subjective wellbeing.

The survey question asks respondents to rate how often they or anyone in their family went without these items: *Over the past year, how often, if ever, have you or anyone in your family: Gone without ...?* Where the ellipsis is one of the following: *enough food to eat, enough clean water for home use, medicines or medical treatment, enough fuel to cook your food* and *a cash income.* Responses are categorized on a scale from 0 to 4, where *0=Never, 1=Just once or twice, 2=Several times, 3=Many times, 4=Always.*

For each respondent i, I define economic insecurity $ECOINS_i$ as the average of their responses across the five components. To ease the interpretation of regression results, I standardize the variable on a 0–100 scale so that the coefficients are interpreted as percentage points. A higher value of $ECOINS_i$ corresponds to greater economic insecurity (indicating more frequent shortages of basic needs).

The components of economic insecurity are also strongly and positively correlated, as shown in Panel B of table 1. The strongest correlations are observed between shortages of cash income and food, as well as between cash income and medical care. This suggests that insufficient income is a major barrier to affording both adequate nutrition and access to healthcare. In contrast, cash income and cooking fuel exhibit the weakest relationship (.34). This likely reflects the wide use of wood fuel in Africa, which does not require substantial financial resources. Overall, these critical dimensions are closely interrelated and reinforce one another to define an

individual's overall economic wellbeing.

III.I.III Self-reported Assessment of Living Conditions

Afrobarometer also asks respondents to self-evaluate their living conditions using a scale from "very bad" to "very good." The survey question reads: *In general, how would you describe: Your own present living conditions?*. Responses are on a 1 to 5 scale, where 1=Very bad, 2=Fairly bad, 3=Neither good nor bad, 4=Fairly good, 5=Very good. I use this variable as the cognitive or perceptual dimension of subjective wellbeing. To ease the interpretation of the regression estimates, I transform the variable into a binary indicator called "Good Living Conditions" which takes a value one if the respondent feels "Fairly good" or "Very good" and zero otherwise. That is, I focus on whether respondents positively evaluate their living conditions.

III.II Summary Statistics & Preliminary Observations

Table 2 reports the summary statistics for the variables used in this study. The analysis is restricted to respondents who provided complete responses for the three key variables, including the components of Subnational Governance Quality, the components of Economic Insecurity, and Self-Reported Living Conditions. This restriction ensures consistency and reliability in the analysis. The restriction results in a total of 136,309 respondents in the sample. However, certain control variables, particularly age, still contain notable number of missing values. Consequently, the number of observations varies in models that include these demographic controls.

The Subnational Governance Quality Index has a mean of 2.4 (on a 1–4 scale), indicating moderate governance quality across the sample. Among its components, Perceived Corruption (mean: 2.650) shows the best positive rating, followed by trustworthiness and general performance. Responsiveness is rated the lowest (mean: 1.867), suggesting some dissatisfaction with how local governments address citizen concerns.

For Economic Insecurity, the table shows that Food Insecurity, Clean Water Insecurity, and Medical Care Insecurity show moderate averages (1.032, 1.185 and 1.175, respectively, on a 0–4 scale). While cooking fuel is the least lacked item, the lack of cash income is the highest concern (mean: 2.070), suggesting the lack of waged employment. Overall Economic Insecurity is relatively low, with a mean of 31.370 on a 0–100 scale. Yet it has a high standard deviation, indicating considerable variability across respondents. Meanwhile, only about one-third (33.7 %) of respondents

feel positively about their living conditions ("fairly good" or "very good" living conditions).

The demographics reveal that the average respondent is about 37 years, with a minimum of 18 years and a maximum of 120 years. Female respondents make up 48 % of the sample, and 58 % of respondents reside in rural areas. Additionally, 31 % of respondents have completed a minimum secondary school education while about 37 % are waged employed, full or part time.

Figures 1a and 1b illustrate the relationship between SGQ and the two measures of subnational governance quality, economic insecurity and self-reported living conditions respectively. Both figures reveal a strong correlation between SGQ and the two measures of subjective wellbeing. The left panel shows a negative association between SGQ and economic insecurity, suggesting as quality of local governance improves, individuals report lower levels of economic insecurity. Similarly, the right panel depicts a positive relationship between SGQ and self-reported living conditions. This suggests that better governance is associated with higher perceived wellbeing.

III.III Estimation Framework I: Ordinary Least Squares (OLS)

To examine the relationship between subnational governance quality and subjective wellbeing, I estimate the following specification:

$$y_{ijc} = \beta_0 + \kappa SGQ_{ijc} + X'_{ijc}\theta + \alpha_c + \varepsilon_{ijc} \tag{1}$$

y_{ijc} is the subjective wellbeing of respondent i who resides in community (village or town) j within country c. This dependent variable alternates between the economic insecurity index and the self-reported assessment of one's living conditions. SGQ_{ijc} captures the respondent's perceived quality of their local government and X'_{ijc} is a vector of individual-level controls including age (and its square), employment status, gender, educational attainment, and type of place of residence (rural/urban). α_c represents country fixed effects that account for time-invariant unobserved country-level heterogeneity. These fixed effects ensure that the variation in SGQ arises from differences within countries rather than cross-country governance differences.

The parameter of interest is κ, which captures the association between subnational governance quality and economic insecurity. While informative, OLS estimates may be biased due to potential endogeneity, which is addressed in the following section.

III.IV Estimation Framework II: IV Estimation

The OLS estimates from specification 1 may suffer from endogeneity bias for several reasons. First, areas with better subnational governance quality might systematically differ in ways that independently affect subjective wellbeing. For example, areas with better local governance might also have pre-existing or historical advantages (disadvantages) or cultural characteristics that independently improve (lower) subjective wellbeing. Second, selective sorting may occur, in that individuals with higher economic security or better wellbeing self-select into areas with better local governance. Such biases can lead to overestimation (underestimation) of the true impact of SGQ on subjective wellbeing.

To address these concerns, I construct a leave-out-one (LOO) mean instrumental variable which uses the collective perception of governance quality reported by other respondents within the same community as an instrument for an individual's assessment of subnational governance quality. This approach relies on the assumption that individuals living under the same local governance jurisdiction tend to share similar experiences and perceptions of governance quality. By averaging the responses of others in the same community, this instrument captures the collective assessment of the governance quality while eliminating the influence of any given respondent's individual bias or subjective perceptions. This ensures that the variation in the instrument is driven by community-level characteristics rather than individual-level idiosyncrasies.

Mathematically, for a respondent i in community j, the LOO mean instrument is constructed as:

$$SGQ_{-i,j} = \frac{\sum_{k \neq i} SGQ_{k,j}}{n_j - 1}$$

where $SGQ_{k,j}$ represents the perceived governance quality reported by individual k in community j, and n_j is the total number of respondents in the community. This formulation ensures that the instrument is not influenced by respondent i's own response.

One key caveat with the LOO mean formulation is that it necessitates the exclusion of singleton communities (i.e., those with only one respondent) since the denominator $n_j - 1$ becomes zero in such cases. Hence, all singleton communities are dropped from the analysis. In my sample, approximately 12.4 % of communities (2,737 out of 21,999) are singletons and are therefore excluded from this analysis. This leaves 19,262 communities, with a total of 133,572 respondents and a mean of 7 respondents

per community. The number of respondents per community ranges from 2 to 419, reflecting considerable variation across communities.

For the LOO mean to be a valid instrument, it must satisfy two primary conditions. First, it must be strongly correlated with SGQ (known as the "relevance" condition). This means that the LOO mean instrument $SGQ_{-i,j}$ should be a significant predictor of an individual's perception of governance quality. The intuition here is quite straightforward: since all individuals in a given community are subject to the same local governance structures and policies, the aggregated perception of governance quality from other community members should be a strong predictor of an individual's own evaluation. This "relevance" condition can be statistically verified through the first-stage regression, where $SGQ_{-i,j}$ should exhibit a strong and statistically significant relationship with $SGQ_{i,j}$. In the results section, I verify the instrument's relevance through the strength of the first-stage relationship.

Second, the LOO mean instrument must satisfy the "exclusion restriction" criterion. This requires that $SGQ_{-i,j}$ affects subjective wellbeing only through its impact on SGQ. By construction, the LOO mean excludes individual's own evaluation, thereby mitigating individual-level biases that could independently affect both their perception of governance and their subjective wellbeing. This makes the instrument – aggregated community perception of governance quality – plausibly exogenous to individual's subjective wellbeing.

However, the exclusion restriction extends beyond individual-level biases. It requires that aggregated community perceptions (the LOO mean) influence subjective wellbeing *solely* through their effect on individual perceptions of governance quality, *with no other direct or indirect pathways.* A potential concern is that community-level perception might also shape several other factors that may in turn affect subjective wellbeing. For example, community-level governance quality ratings could shape collective behaviors, such as public protests, increased civic engagement, or stronger local advocacy, which could lead to improvements in local governance services (e.g., better infrastructure or public goods). These improvements, in turn, could directly affect subjective wellbeing, bypassing the individual perception channel and violating the exclusion restriction.

To address this, I include a battery of controls for observable community-level characteristics that might act as direct pathways. Specifically, I control for the presence of eight public goods and social amenities in the primary sampling unit, including

schools, electricity grids, piped water, health clinics, sewage systems, paved roads, post offices, and police stations. These controls help account for variations in community conditions that might arise from collective behaviors influenced by aggregated governance perceptions.

Nonetheless, it is important to acknowledge that community-level controls cannot fully capture unobservable pathways, such as a general sense of optimism, trust, or social cohesion generated by positive community-level perceptions. These unmeasured factors could also influence subjective wellbeing. In sum, while the inclusion of community-level controls strengthens the plausibility of the exclusion restriction, it does not eliminate the possibility of residual unobservable confounders.

The two criteria described above ensure that the LOO mean instrument isolates the causal impact of subnational governance quality on subjective wellbeing. Estimating the causal impacts involves two stages. The first stage involves showing the relationship between individual-level $SGQ_{i,j}$ and community-level $SGQ_{-i,j}$:

$$SGQ_{ijc} = \pi_0 + \pi_1 SGQ_{-i,jc} + X'_{ijc}\theta + \alpha_c + \varepsilon_{ijc} \tag{2}$$

Here $SGQ_{-i,jc}$ is the LOO mean instrument and π_1 captures the strength of its relationship with SGQ.

In the second stage, the predicted values of SGQ ($\hat{SGQ}_{ijc}$) from the first stage are used to estimate the causal effect of SGQ on subjective wellbeing:

$$y_{ijc} = \beta_0 + \delta \hat{SGQ}_{ijc} + X'_{ijc}\theta + \alpha_c + \varepsilon_{ijc} \tag{3}$$

In this equation, δ captures the causal effect of SGQ on subjective wellbeing. All other terms remain as defined previously.

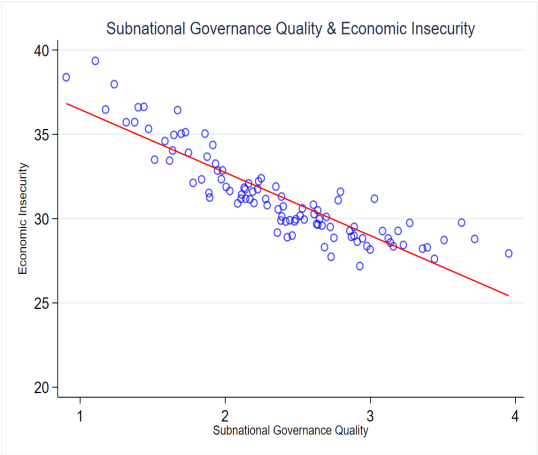
Table 1. Correlation Matrices of Subnational Governance Dimensions and Economic Security Components

	Panel A. Dimensions of Subnational Governance Quality			
	Performance	Responsiveness	Corruption	Trust
	N = 136309			
Performance	1.0000			
Responsiveness	0.3213	1.0000		
Corruption	0.2922	0.1630	1.0000	
Trust	0.4436	0.2906	0.3254	1.0000

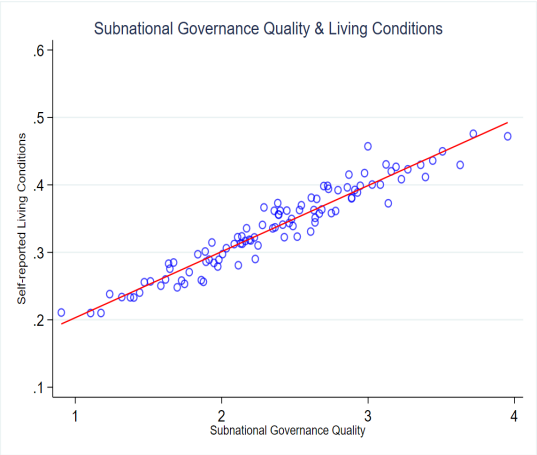
	Panel B. Components of Economic Security				
	Food	Water	Medicine	Cooking Fuel	Cash Income
	N = 136309				
Food	1.0000				
Water	0.3769	1.0000			
Medicine	0.4614	0.4569	1.0000		
Cooking Fuel	0.3937	0.3616	0.4069	1.0000	
Cash Income	0.4795	0.3649	0.4813	0.3484	1.0000

Table 2. Summary Statistics

	(1) N	(2) mean	(3) min	(4) max	(5) sd
LGC General Performance	136,309	2.458	1	4	0.917
LGC Responsiveness	136,309	1.867	1	4	0.924
LGC Perceived Corruption	136,309	2.650	1	4	0.847
LGC Trustworthiness	136,309	2.482	1	4	1.079
Subnational Governance Quality Index	136,309	2.364	1	4	0.655
Food Insecurity	136,309	1.032	0	4	1.197
Clean Water Insecurity	136,309	1.185	0	4	1.381
Medical Care Insecurity	136,309	1.175	0	4	1.278
Cooking Fuel Insecurity	136,309	0.813	0	4	1.150
Cash Income Insecurity	136,309	2.070	0	4	1.354
Economic Insecurity Index	136,309	31.370	0	100	23.152
Good Living Conditions	136,309	0.337	0	1	0.473
Age	135,936	36.91	18	120	14.44
Female	136,304	0.482	0	1	0.500
Rural	136,309	0.582	0	1	0.493
Secondary School Completion	136,008	0.311	0	1	0.463
Employment Status	136,012	0.371	0	1	0.483



(a) Subnational Governance Quality & Economic Insecurity



(b) Subnational Governance Quality & Living Conditions

Figure 1. Notes: The figures depict the relationship between subnational governance quality and the two measures of subjective wellbeing used in the study. Values are residualized for country fixed effects to reflect within-country variation.

IV. Empirical Results

In this section I report the empirical results, beginning with the OLS estimates followed by the IV estimates. All models include survey round dummies to account for structural differences across surveys.

IV.I OLS Estimates

Table 3 reports the OLS estimates examining the relationship between SGQ and subjective wellbeing. All models include country fixed effects to account for unobserved national-level heterogeneity. Robust standard errors are clustered at the community level. Models (1) and (2) show the unconditional estimates while models (3) and (4) report the conditional estimates.

The results show that SGQ is strongly and significantly associated with both measures of subjective wellbeing. In column (1), the estimate suggests that, on a 0–100 scale, a one-standard-deviation increase in SGQ is associated with about 2.4 percentage point (pp) reduction in economic insecurity. When individual-level controls are included in column (3), the magnitude of the coefficient slightly increases (in absolute terms) to -2.9, showing a more robust negative association between SGQ and economic insecurity. SGQ is also positively associated with self-reported living conditions. Columns (2) and (4) show that a one-standard-deviation increase in SGQ increases the likelihood of an individual rating their living conditions as "fairly good" or "very good" by 6.4 – 6.8 pp.

The control variables included in the models (columns 3 and 4) generally assume their expected signs. For instance, being employed, and (completing a minimum secondary) education are associated with lower economic insecurity and better self-reported living conditions. The quadratic effect of age also suggests a nonlinear relationship with subjective wellbeing.

IV.II IV Estimates

While the OLS estimates demonstrate a robust relationship between SGQ and subjective wellbeing, the estimates may be biased due to potential endogeneity. For instance, individuals who are already better off might self-select into areas with better local governance, leading to upward-biased estimates. As discussed in section III., I use a leave-out-one mean approach which uses other community members' collective

ratings of governance quality as an instrument for an individual's own assessment of governance quality.

Results from the first stage of the IV estimation are presented in column (1) of table 4. In addition to the standard demographic controls, the models also include controls for community-level public goods and amenities. As explained previously, these controls address concerns about the exclusion restriction. That is, they help account for direct pathways through which access to infrastructure and services may independently affect subjective wellbeing.

The leave-out-one mean IV (standardized to a z-score) exhibits a strong and statistically significant relationship with individual-level subnational governance quality. A one-standard-deviation increase in the average community assessment of the quality of LGCs increases an individual's own ratings by .28 standard deviation. This indicates that the aggregated community perception of governance quality is a strong predictor of individual perceptions.

The reported statistics from the diagnostic tests also indicate that the leave-out-one mean is a valid and strong instrument. The Kleibergen-Paap rk Wald F statistic is 5800.95, far exceeding the critical threshold of 10, confirming that the instrument is not weak. The Kleibergen-Paap rk LM statistic for underidentification is 1961.21 (p-value = 0.000), strongly rejecting the null hypothesis of underidentification. Additionally, the Anderson-Rubin Wald F statistic is 223.97 (p-value = 0.000), indicating that the endogenous regressor (subnational governance quality) is a significant predictor of subjective wellbeing and that the instrument satisfies the exclusion restriction.

The second-stage results are presented columns (2) and (3) of the table. The results confirm the strong and significant impact of subnational governance quality on subjective wellbeing. Compared to the OLS estimates, the IV estimates are larger in magnitude, which is expected given the potential attenuation bias in OLS due to measurement error or other sources of endogeneity. Specifically, a one-standard-deviation increase in SGQ reduces economic insecurity by 5.2 pp (column 1) and increases the likelihood of individuals rating their living conditions as "fairly good" or "very good" by 13.5 pp (column 2).

IV.III Heterogeneous Effects

In table 5, I investigate the heterogeneous effects of governance quality on subjective wellbeing by interacting SGQ with key demographic characteristics. This analysis allows me to assess whether the impact of governance quality differs based on individual characteristics such as rural/urban residence, education, gender, employment status, and age.

Adding the interactions does not change the main effects of SGQ on subjective wellbeing. Across all specifications, the coefficient on SGQ remains negative and statistically significant for economic insecurity and positive and significant for good living conditions. That is, higher governance quality is associated with lower economic insecurity and improved self-reported living conditions. However, the interaction terms reveal important differences in the extent to which individuals benefit from higher SGQ.

The coefficients of SGQ $\times$ rural in columns (1) and (2) suggest that the effect of governance quality on subjective wellbeing is attenuated in rural areas. These results may reflect disparities in local governance effectiveness between urban and rural regions. Urban areas have better infrastructure and institutional capacity that will help translate even marginal improvements in governance quality into material and subjective improvements in wellbeing. In rural settings, these improvements may take time to materialize due to the lack pre-existing infrastructural foundation and institutional capacity.

Higher educational attainment, on the other hand, tends to strengthen the effect of SGQ on wellbeing. The coefficients of the interaction terms between SGQ and education imply that more educated people are more likely to gain from improvements in governance quality. One possible explanation is that individuals with higher education levels may be better positioned to leverage local governance improvements. This may stem from increased access to economic opportunities, better use of public services, or greater political engagement.

Gender does not appear to moderate the impact of SGQ on wellbeing, indicating that improvements in governance quality benefit men and women similarly. Likewise, employment status does not alter the impact of SGQ on economic insecurity. However, being employed significantly increases the impact of SGQ on self-reported wellbeing, suggesting employment serves as a channel through which individuals can capitalize on improvements in local governance. Finally, the interaction terms between SGQ

and age are not statistically significant in either model, indicating that governance quality has a consistent impact across different age groups.

IV.IV Robustness Checks

I now test the robustness of my results.

IV.IV.I Restricting the SGQ Index to Procedural Components

As indicated earlier, the "overall performance" component of the SGQ index may capture both procedural aspects of governance and service delivery outcomes. The survey question does not clarify whether respondents assessed their LGCs based on how they governed (procedural) or what they provided (service delivery). As a result, different respondents may have assessed governance quality from different perspectives.

To address this concern, I exclude the "overall performance" dimension and reconstruct the SGQ index based only on procedural aspects of governance, which include responsiveness, trustworthiness, and perceived corruption. This results in a larger sample size of 145,903 observations, comprising respondents who answered all these three questions. The results are presented in columns (1) and (2) of table 6.

The results confirm that restricting the SGQ index to procedural aspects does not change the main effects of governance quality on subjective wellbeing. Improvements in SGQ still significantly reduce economic insecurity and improve individuals' subjective evaluation of their economic conditions. More importantly, the estimates are similar in magnitude to the baseline results in table 3. Additionally, the findings remain unchanged when restricting the sample to the same size used in the main analysis.

IV.IV.II Using Principal Component Analysis (PCA)

I test the robustness of my results by applying Principal Component Analysis (PCA) to construct an alternative measure of governance quality. I replace the original SGQ index with the first principal component (SGQ_PCA1) as the main independent variable.

Essentially, PCA constructs the governance index by assigning weights to each of the four governance components based on their individual contributions to the total variance in governance quality. It further generates "principal components", each

capturing a certain proportion of this variation – all adding up to 100 %. The first principal component is typically used for the empirical estimation when it explains a significant proportion of the original variation in the data.

In my sample, the first principal component (SGQ_PCA1) captures nearly half (48.3 %) of the total variance in governance quality. Since it explains the largest share of variation among the "principal components," I use it as the main independent variable in the analysis. The SGQ_PCA1 is primarily driven by local government performance and trust in local government, with smaller contributions from corruption perceptions and responsiveness. This suggests that SGQ_PCA1 heavily reflects institutional effectiveness and public confidence in governance, as these dimensions exhibit the most variation in the data. The results are presented in columns (3) and (4) of table 6.

The results indicate that the SGQ_PCA1 has a strong and significant effect on both economic insecurity and self-reported wellbeing. A unit increase in governance quality (as captured by PCA) reduces economic insecurity by 2.13 pp and increases the probability of reporting good living conditions by 5 pp. This analysis confirms that the effect of governance quality on subjective wellbeing is not dependent on the specific way the SGQ index is constructed in this study but remains robust to other approaches.

IV.IV.III Examining the Individual Components of the SGQ Index

I also assess the separate effects of each SGQ component to determine which dimensions primarily drive the main results. Remember that each component is measured on a 1 to 4 scale (SGQ=2, 3, or 4), where higher values indicate better governance quality. The reference category is SGQ=1, indicating poorest governance rating. The results are shown in columns (5) and (6) of table 6. The coefficients represent the impact of moving from the baseline category (SGQ=1) to higher categories.

The results confirm that all the four governance components – overall performance, responsiveness, corruption control, and trustworthiness – are significantly associated with lower economic insecurity and higher self-reported wellbeing. The effects follow a consistent and linear pattern, with higher governance ratings having stronger effects. For instance, compared to areas where local government performance is rated the lowest (SGQ=1), economic insecurity declines by approximately 1.90 points when moving to the second category, 4.00 points in the third category, and 4.17 points in

the highest category. Similarly, better local government performance increases the probability of reporting good living conditions by 1.15 pp at the second level, 6.89 pp at the third, and 8.97 pp at the highest level. Thus, the results confirm that the relationship between governance quality and wellbeing is not driven by a single governance dimension but reflects a broader institutional environment that enhances individual welfare.

IV.IV.IV Impact of Governance Quality on Components of Economic Insecurity and Wellbeing

I also examine the effect of SGQ on the individual components of economic insecurity, including food, clean water, cash income, cooking fuel, and medical treatment. I analyze the effect of SGQ on both moderate and severe economics securities. For moderate economic insecurity, the dependent variable is coded as 1 if the respondent *ever* went without the item and 0 otherwise. For severe economic insecurity, the outcome variable takes a value one if the respondent *always* went without the item and zero otherwise. Additionally, I redefine self-reported wellbeing so that the dependent variable is 1 if the respondent feels "very good" about their living conditions and 0 otherwise. The results are displayed in table 7.

The results show that SGQ significantly reduces the probability of experiencing economic insecurity across all components – both moderate or severe aspects. Panel A of the table shows that a one-standard-deviation increase in SGQ reduces moderate economic insecurity by 2.2 – 4.7 pp, depending on the component. For self-reported wellbeing, a one-standard-deviation increase in SGQ increases the probability of respondents rating their living conditions as "very good" by 1.6 pp, representing a 30 % increase above the average.

The estimates in Panel B also indicate that improvements in SGQ significantly reduce severe economic insecurity, with effects ranging from .5 pp to 2.4 pp per standard deviation increase in governance quality. The estimates for severe insecurity are smaller than those for moderate insecurity likely because severe insecurity is rarer, affecting fewer individuals. As a result, the baseline probability is lower, making the absolute changes smaller.

Table 3. OLS Estimates: The Impact of Subnational Governance Quality on Subjective Wellbeing

	(1) Economic Insecurity	(2) Good Living Conditions	(3) Economic Insecurity	(4) Good Living Conditions
SGQ (Z-Score)	-2.382***	0.064***	-2.928***	0.068***
	(0.072)	(0.001)	(0.070)	(0.001)
age			0.365***	-0.011***
			(0.022)	(0.000)
age squared			-0.004***	0.000***
			(0.000)	(0.000)
female			-0.135	0.005**
			(0.097)	(0.002)
rural			5.057***	-0.015***
			(0.190)	(0.004)
education			-6.202***	0.074***
			(0.149)	(0.003)
employment			-3.798***	0.037***
			(0.139)	(0.003)
Observations	136,309	136,309	135,393	135,393
R-squared	0.187	0.068	0.230	0.081
Country F.E.	Yes	Yes	Yes	Yes

The table shows the OLS estimates of the impacts of subnational governance quality (SGQ) on subjective wellbeing. SGQ is an index constructed from four key dimensions evaluating local government councils: general performance, responsiveness, trustworthiness, and perceived corruption. Subjective wellbeing is measured using two outcomes, economic insecurity and self-reported living conditions. Economic insecurity is an index capturing shortages in food, clean water, medical care, cooking fuel, and cash income. Self-reported (Good) living conditions is a binary variable equal to one if respondents rate their living conditions as "fairly good" or "very good" and zero otherwise. Education takes a value one if respondent completed a minimum secondary education and zero otherwise. Employment means the respondent is employed, part or full time, while rural means respondent resides in a rural area. Robust standard errors are clustered at the community level. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 4. 2SLS Estimates of the Impact of Subnational Governance Quality on Subjective Wellbeing

	First Stage	Second Stage	
	(1)	(2)	(3)
	SGQ Index (Z-Score)	Economic Insecurity	Good Living Conditions
Community Ratings	0.284***		
	(0.004)		
SGQ (Z-Score)		-5.188***	0.135***
		(0.342)	(0.006)
school	0.017**	0.144	-0.000
	(0.007)	(0.256)	(0.005)
piped water	0.010*	-3.177***	0.024***
	(0.006)	(0.222)	(0.004)
health clinic	0.012**	-0.766***	0.005
	(0.005)	(0.201)	(0.004)
post office	0.013*	0.128	0.008
	(0.007)	(0.255)	(0.005)
paved road	-0.022***	-1.303***	-0.006
	(0.006)	(0.197)	(0.004)
police station	-0.004	0.308	-0.003
	(0.006)	(0.227)	(0.005)
electricity	-0.049***	-3.627***	0.010**
	(0.007)	(0.249)	(0.005)
sewage	-0.007	-0.778***	0.018***
	(0.007)	(0.245)	(0.005)
age	-0.005***	0.324***	-0.010***
	(0.001)	(0.022)	(0.000)
age squared	0.000***	-0.003***	0.000***
	(0.000)	(0.000)	(0.000)
female	0.007	-0.018	0.004*
	(0.005)	(0.100)	(0.002)
rural	0.092***	1.936***	-0.008*
	(0.006)	(0.237)	(0.005)
education	-0.070***	-5.665***	0.076***
	(0.006)	(0.157)	(0.003)
employment	0.023***	-3.471***	0.036***
	(0.006)	(0.143)	(0.003)
Observations	128,316	128,316	128,316
Kleibergen-Paap rk Wald F	5800.95		
Anderson-Rubin Wald F	223.97		
Kleibergen-Paap rk LM (Underid)	1961.21		
Country F.E.	Yes	Yes	Yes
R-squared		0.066	0.015

The table shows the first and second stage results of the 2SLS estimation. In the first stage, the dependent variable is subnational governance quality (SGQ) and the main independent variable is the community ratings, which is the average community-wide perception of governance quality minus the respondent's own assessment. SGQ is an index constructed from four key dimensions evaluating local government councils: overall performance, responsiveness, trustworthiness, and perceived corruption. In the second stage the main dependent variables are economic insecurity and self-report living conditions while the main independent variable is SGQ. Economic insecurity is an index capturing shortages in food, clean water, medical care, cooking fuel, and cash income. Self-reported (Good) living conditions is a binary variable equal to one if respondents rate their living conditions as "fairly good" or "very good" and zero otherwise. Robust standard errors are clustered at the community level. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 5. The Heterogeneous Effects of Subnational Governance Quality

	(1) Economic Insecurity	(2) Good Living Conditions	(3) Economic Insecurity	(4) Good Living Conditions	(5) Economic Insecurity	(6) Good Living Conditions	(7) Economic Insecurity	(8) Good Living Conditions	(9) Economic Insecurity	(10) Good Living Conditions
SGQ (Z-Score)	-3.193***	0.076***	-2.835***	0.066***	-2.988***	0.070***	-2.908***	0.066***	-2.733***	0.067***
	(0.109)	(0.002)	(0.081)	(0.002)	(0.085)	(0.002)	(0.085)	(0.002)	(0.167)	(0.004)
rural × SGQ	0.440***	-0.013***								
	(0.140)	(0.003)								
education × SGQ			-0.326**	0.008***						
			(0.135)	(0.003)						
female × SGQ					0.132	-0.002				
					(0.107)	(0.002)				
employment × SGQ							-0.054	0.005**		
							(0.125)	(0.003)		
age × SGQ									-0.005	0.000
									(0.004)	(0.000)
Observations	135,393	135,393	135,393	135,393	135,393	135,393	135,393	135,393	135,393	135,393
R-squared	0.230	0.081	0.230	0.081	0.230	0.081	0.230	0.081	0.230	0.081
Other Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The table shows the OLS estimates of the heterogeneous effects of subnational governance quality (SGQ) on subjective wellbeing across several demographic variables. SGQ is an index constructed from four key dimensions evaluating local government councils: general performance, responsiveness, trustworthiness, and perceived corruption. Subjective wellbeing is measured using two outcomes, economic insecurity and self-reported living conditions. Economic insecurity is an index capturing shortages in food, clean water, medical care, cooking fuel, and cash income. Self-reported (Good) living conditions is a binary variable equal to one if respondents rate their living conditions as "fairly good" or "very good" and zero otherwise. The controls are age and its square, type of place of residence (rural/urban), gender, educational level (minimum secondary school completion), and employment status. Robust standard errors are clustered at the community level. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 6. Robustness Checks 1

	(1) Economic Insecurity	(2) Good Living Conditions	(3) Economic Insecurity	(4) Good Living Conditions	(5) Economic Insecurity	(6) Good Living Conditions
procedural SGQ index	-2.548***	0.061***				
	(0.067)	(0.001)				
SGQ PCA1			-2.134***	0.050***		
			(0.051)	(0.001)		
2. overall performance					-1.899***	0.012***
					(0.186)	(0.004)
3. overall performance					-3.998***	0.069***
					(0.195)	(0.004)
4. overall performance					-4.172***	0.090***
					(0.257)	(0.005)
2. responsiveness					-0.858***	0.023***
					(0.146)	(0.003)
3. responsiveness					-0.785***	0.023***
					(0.190)	(0.004)
4. responsiveness					0.072	0.040***
					(0.270)	(0.006)
2. corruption					-2.071***	0.011**
					(0.229)	(0.004)
3. corruption					-3.790***	0.039***
					(0.222)	(0.004)
4. corruption					-4.584***	0.060***
					(0.274)	(0.006)
2. trustworthiness					-2.250***	0.036***
					(0.176)	(0.004)
3. trustworthiness					-2.996***	0.060***
					(0.185)	(0.004)
4. trustworthiness					-3.264***	0.093***
					(0.208)	(0.004)
Observations	145,903	145,903	135,393	135,393	135,393	135,393
R-squared	0.220	0.075	0.230	0.081	0.233	0.082
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Country F.E.	Yes	Yes	Yes	Yes	Yes	Yes

The table shows the OLS estimates of various robustness checks showing the effects of subnational governance quality (SGQ) on subjective wellbeing. Subjective wellbeing is measured using two outcomes, economic insecurity and self-reported living conditions. Economic insecurity is an index capturing shortages in food, clean water, medical care, cooking fuel, and cash income. Self-reported (Good) living conditions is a binary variable equal to one if respondents rate their living conditions as "fairly good" or "very good" and zero otherwise. In models 1 and 2, the estimates show the impact of procedural SGQ, which captures three dimensions evaluating the quality of local government councils: responsiveness, trustworthiness, and perceived corruption. Models 3 and 4 show the estimates of the first component of Principal Components Analysis (PCA). Models 5 and 6 shows that separate effects of the individual components of the study's main SGQ index. The controls are age and its square, type of place of residence (rural/urban), gender, educational level (minimum secondary school completion), and employment status. Robust standard errors are clustered at the community level. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 7. Robustness Checks 2

	(1) food insecurity	(2) water insecurity	(3) medical care insecurity	(4) cash income insecurity	(5) cooking fuel insecurity	(6) very good living conditions
				Panel A		
SGQ Index	-0.036***	-0.040***	-0.047***	-0.022***	-0.041***	0.016***
	(0.001)	(0.002)	(0.001)	(0.001)	(0.002)	(0.001)
Observations	135,393	135,393	135,393	135,393	135,393	135,393
R-squared	0.124	0.083	0.139	0.184	0.073	0.026
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Country F.E.	Yes	Yes	Yes	Yes	Yes	Yes
				Panel B		
	severe food insecurity	severe water insecurity	severe medical care insecurity	severe cash income insecurity	severe cooking fuel insecurity	
SGQ Index	-0.007***	-0.013***	-0.011***	-0.024***	-0.005***	
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	
Observations	135,393	135,393	135,393	135,393	135,393	
R-squared	0.018	0.048	0.041	0.101	0.015	
Controls	Yes	Yes	Yes	Yes	Yes	
Country F.E.	Yes	Yes	Yes	Yes	Yes	

The table shows the OLS estimates of the impact of subnational governance quality (SGQ) on subjective wellbeing. Columns 1–5 of Panel A display the impact of SGQ (Z-Score) on the individual components of economic insecurity, where the outcome variable takes a value one if the respondent *ever* went without any of these items and zero otherwise. Column 6 of Panel A shows the impact of SGQ on self-reported wellbeing, which takes a value one if the respondent feels "very good" about their economic living conditions and zero otherwise. In Panel B, the outcome variable is equals to one if the respondent *always* went without any of these items and zero otherwise. The controls are age and its square, type of place of residence (rural/urban), gender, educational level (minimum secondary school completion), and employment status. Robust standard errors are clustered at the community level. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

V. Conclusion

This study examines the relationship between subnational governance quality (SGQ) and subjective wellbeing in Africa, a region where subnational governance varies significantly due to historical and institutional factors. Using data from over 128 respondents across 34 African countries, I investigate how perceived SGQ affects subjective wellbeing, measured by a comprehensive index of economic insecurity and self-reported living conditions.

The initial OLS estimates reveal a strong association between SGQ and subjective wellbeing. Controlling for individual-level demographics, I find that a one-standard-deviation increase in SGQ reduces economic insecurity by about 3 percentage points (pp), while it increases one's probability of rating their living conditions as "fairly good" or "very good" by about 7 pp. However, these results may be biased due to potential endogeneity concerns, such as reverse causality or unobserved factors that influence both governance quality and wellbeing.

To address these endogeneity concerns, I construct a leave-out-one mean instrument for SGQ that allows me to isolate the causal effect of SGQ on subjective wellbeing. This approach averages the responses of *all other* members within the same community to instrument for an individual's own evaluation. The intuition behind this approach is that individuals living in the same community experience similar governance structures and policies, which shapes their collective perception of governance quality. Therefore, the average response of other community members serves as a plausible predictor of an individual's perceived governance quality. The first-stage results confirm that the aggregated community perception of governance quality is indeed a strong predictor of an individual's own assessment.

The instrumental variable (IV) approach confirms a robust causal relationship between SGQ and subjective wellbeing. The IV estimates are larger than those of the OLS, pointing to potential downward bias. Specifically, the IV estimates suggest that a one-standard-deviation increase in SGQ reduces economic insecurity by 5.2 pp and increases the likelihood of individuals rating their living conditions as "fairly good" or "very good" by 13.5 pp.

Conducting a heterogeneity analysis, I find that while governance quality improves wellbeing across all demographic groups, the magnitude of its impact varies. The effects are somewhat muted in rural areas, while individuals with higher education

and those already employed seem to benefit more. The effects do not vary across age and gender.

Additionally, the main findings remain robust across multiple sensitivity analyses. Whether governance quality is measured using the full SGQ index, its procedural components, or a data-driven approach such as Principal Components Analyses (PCA), the results remain consistent. Further, disaggregating SGQ into its individual components shows that all aspects of governance – performance, responsiveness, corruption control, and trust – contribute meaningfully to subjective wellbeing. Examining the individual components of economic insecurity further shows that SGQ significantly reduces the likelihood of experiencing shortages in food, water, medical care, cooking fuel, and cash income. Finally, governance quality also increases the probability of individuals reporting "very good" living conditions. These findings contribute to the growing literature on governance and wellbeing, demonstrating that local political institutions play a crucial role in shaping individual life and that strengthening governance at the subnational level can significantly enhance individual wellbeing.

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