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 level of government closest to the people. Consequently, we know little about the relationship between subnational governance quality (SGQ) and socioeconomic outcomes. This study examines how perceived SGQ – capturing local government performance, responsiveness, trustworthiness, and corruption – influences subjective wellbeing using individual-level survey data from more than 223,000 respondents across 40 African countries. OLS estimates show that a one-standard-deviation increase in SGQ decreases economic insecurity – an index of shortages in food, water, fuel, medical care, and cash income – by about 3 percentage points (pp) and increases the probability of reporting "fairly good" or "very good" living conditions about 7 pp. Because these estimates may be biased due to potential endogeneity, I construct a leave-out-one mean instrument that averages the governance evaluations of *all other* community members to instrument for an individual's own assessment. Using 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 over 5 pp and increases the likelihood of reporting "fairly good" or "very good" living conditions by about 14 pp. These effects attenuate in rural areas, strengthen with education and waged employment, but show no meaningful differences by gender.

Keywords: subnational governance quality, 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 or subnational institutions to national authorities. While national governance has been extensively studied, much less attention has been given to subnational governance. Yet it is precisely at this local level that many critical development outcomes are shaped (González et al., 2011).

The present study turns attention to subnational governments, which play a vital role in overseeing essential services such as infrastructure development, service delivery, and local resource allocation (Bardhan, 2002). The proximity of local governments to communities and the citizens implies that their effectiveness can have significant implications for individual wellbeing, yet we still know little about this relationship. This study addresses that gap by investigating how subnational governance quality (SGQ) affects subjective wellbeing in Africa.[1] SGQ is particularly relevant in Africa where historical factors (like colonial rule), ethnic diversity, and access to natural resources have led to stark variations in the quality of local governance across regions (Mamdani, 1996; Michalopoulos and Papaioannou, 2013). These disparities can, in turn, influence access to public goods, economic opportunities and, ultimately, individual wellbeing.

High quality local governance can affect wellbeing through several channels. It can encourage civic and political participation by making citizens feel heard and represented, strengthen institutional trust by promoting fairness and transparency, and improve material living conditions by ensuring equitable delivery of basic public services. When governance is responsive and accountable, citizens are more likely to participate in community decision-making and to view public institutions as legitimate, both of which are linked to higher life satisfaction (Dalton, 2008; Faguet, 2014; Helliwell et al., 2021; Rothstein, 2011). Conversely, weak or corrupt governance may reduce trust, discourage participation, and limit access to essential goods and services, thereby undermining wellbeing.

To examine this issue, 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 primarily from procedural aspects of local governance, focusing on how local governments operate rather than what they deliver. Specifically, the key components of SGQ I examine include responsiveness, trustworthiness, perceived corruption, and the overall performance of Local Government Councils (LGCs), the closest and most immediate level of government in most African countries. I use perception-based measures of SGQ because they capture how

[1] In this study, the terms subjective wellbeing, individual wellbeing, or wellbeing are used interchangeably.

citizens actually experience local governance in their daily lives. Using perception-based measures at the subnational level is also appropriate because this is the level at which people directly interact with and consume government services (Charron et al., 2015; González et al., 2011; Zhang, 2022).

For subjective wellbeing, I conceptualize and measure it along two primary dimensions. The first is economic insecurity, which is an index capturing how frequently individuals experience shortages in five critical areas, including food, clean water, medical treatment, cooking fuel, and cash income. This index reflects the material aspect of subjective wellbeing, as it emphasizes economic security and access to essential resources. The second dimension is perceived living conditions, which is based on individuals' self-rated wellbeing, ranging from "very bad" to "very good." This measure reflects the cognitive dimension of wellbeing, capturing how people evaluate their overall economic status.

The empirical analysis begins with an OLS model to identify the association between SGQ and wellbeing. I include country fixed effects to ensure that observed variations in wellbeing are driven by within-country differences in local governance quality rather than national-level factors. The OLS results reveal a strong association between SGQ and subjective wellbeing. A one-standard-deviation increase in SGQ reduces economic insecurity by 3 percentage points (pp) and increases the likelihood of individuals rating their living conditions as "fairly" good or "very good" by about 7 pp.

However, these associations do not necessarily imply a causal relationship due to potential endogeneity concerns. One source 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. Another source of bias is self selection, where individuals who are more economically secure choose to reside in areas with better subnational governance. Such scenarios could overstate the impact of SGQ on subjective wellbeing.

To address these endogeneity concerns, I construct a "leave-out-one" mean variable to 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 in a community experience the same local governance structures and practices, 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. Using this instrumental variable (IV) method allows me to identify the causal effect of SGQ on subjective wellbeing.

The IV estimates confirm the robust impact of SGQ on subjective wellbeing. The estimates are larger than those of OLS, with a one-standard-deviation increase in SGQ reducing economic insecurity by 5 pp, equivalent to about 16 percent drop relative to the outcome mean. For self-reported wellbeing, a one-standard-deviation increase in SGQ increases the probability of rating one's living conditions as "fairly good" or "very good" by 14, corresponding to 41.5 percent increase above the mean.

Exploring the heterogeneous effects across demographic groups, the results reveal

that the effect of SGQ on wellbeing attenuates in rural areas but strengthens with education level. The effect on self-reported living conditions also magnifies for those with waged employment, while its impact on economic insecurity amplifies with age. However, the effect does not vary by gender.

Beyond addressing endogeneity and heterogeneity, I 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 quality index, examining the independent effects of the SGQ components, and examining the impact of SGQ on moderate and severe economic insecurity. Across all specifications, the results consistently affirm the strong relationship between governance quality and subjective wellbeing.

To better understand how SGQ influences wellbeing, I examine several potential mechanisms. The results show that higher SGQ is linked to greater political participation, in that citizens in better-governed communities are more likely to vote, attend community meetings, join others to raise issues, and contact local government councilors. SGQ also significantly increases trust in core state institutions, including the presidency, parliament, electoral body, police, and courts. These effects suggest that good governance builds legitimacy and fosters civic engagement. Finally, SGQ shows positive associations with locally managed services such as schools, clinics, and post offices, but weaker or negative associations with larger infrastructure utilities like electricity, piped water, and paved roads. This mixed pattern likely reflects that local governments have more influence over community-level services than over national infrastructure investments.

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 treat governance as a uniform factor across an entire country (Hall and Jones, 1999; Kaufmann et al., 1999; Michalopoulos and Papaioannou, 2014; Rodrik et al., 2004). Such an approach fails to capture the lived experiences of individuals, especially in countries with starkly contrasting local governance structures. By shifting the focus to subnational governance, this study contributes to a growing literature that emphasizes within-country variation in institutional quality and its consequences for welfare and trust (Charron et al., 2019).

Second, by focusing on subnational governance, this study aligns with and complements the body of work emphasizing how decentralized institutions can enhance service delivery, strengthen accountability, and promote local development. Decentralization can improve efficiency by tailoring policies to local needs and increasing citizen oversight of service provision (Faguet, 2014; Gadenne, 2017; Smoke, 2015). By examining governance at this level, the study offers fresh insights into how local government quality can improve individual wellbeing.

Third, this is the first study to examine the impact of local governance quality on subjective wellbeing in Africa. To my knowledge, only Iddawela et al. (2021) have examined the impacts of subnational governance quality in the African context, but the authors focus primarily on regional economic development measured by night-

light intensity. By contrast, this study centers on how individuals' perceptions of local governance relate to their economic security and life satisfaction.
The rest of the study is structured as follows. Section II. provides a conceptual framework explaining the concepts of subnational governance quality and subjective wellbeing, and how the two are linked. Section III. describes the survey data and the construction of the indices of governance quality and economic insecurity, and also outlines the empirical framework. Section IV. reports the empirical results, and Section V. concludes the study.

II. Conceptual Framework

In this section, I discuss the concepts of subnational governance quality and subjective wellbeing. I then 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 accountability mechanisms (Chibba, 2009; Fukuyama, 2013; Kaufmann et al., 1999; World Bank, 1992). While this definition can apply at multiple levels, it has often been used primarily in reference to national governance, overlooking lower tiers. 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 subnational governance structures, making it particularly relevant here.
A natural question that arises from these definitions is, what constitutes high-quality governance? Although scholars continue to debate its precise characteristics, most conceptualizations emphasize capacity (or autonomy), transparency, accountability, efficiency, and inclusivity. For example, 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, while Agere (2000) emphasize transparency, accountability, and public participation. By 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 rather than idealized standards.
While these characteristics define governance in general, they are even more salient at lower tiers of government, where institutions directly interact with citizens and oversee essential service delivery. In this regard, the quality of local governments en-

compasses how effectively local institutions manage public resources, provide 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, the quality of local governance is rarely uniform within countries. Subnational governance often varies widely, reflecting differences in institutional capacity, accountability mechanisms, and resource availability. This is particularly evident in Africa, where national governance often falls short of meeting local needs, giving rise to varying local governance quality across localities. In such contexts, the role of local governments in shaping societal development and citizens' wellbeing cannot be overstated.

Since governance quality can be understood in different ways, this study focuses 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. This distinction avoids conflating governance quality 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 multifaceted, I adopt an index that captures several dimensions to ensure a more complete assessment. Specifically, I focus on four key attributes of Local Government Councils (LGCs), including responsiveness to citizen needs, general performance, trustworthiness, and perceived corruption. High SGQ is characterized by responsiveness, trustworthy conduct, strong performance, and low perceived corruption; low SGQ reflects the opposite.

While responsiveness, trustworthiness, and perceived corruption of LGCs are generally procedural, "general performance" is quite ambiguous. It blends both procedural governance and service delivery, depending on how respondents perceive it. The survey I use asks respondents 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.

Another notable concern is that all these variables are "perceived" or "subjective" rather than objective measures. I rely on perception-based measures of SGQ because perceptions capture citizens' lived experiences of governance,and leading cross-national surveys such as Afrobarometer are specifically designed to capture these local experiences. Moreover, focusing on citizens' perceptions is appropriate because they are the direct users of public services and interact daily with local government officials (Charron et al., 2015). Recent studies also show that perceptions of governance are directly linked to outcomes like trust, satisfaction, and life quality, as they capture the reality experienced by citizens more fully than only institutional

or service-based statistics (Cárcaba et al., 2022; Lahat et al., 2025; Ma et al., 2024; Zhang, 2022). The World Bank also underscores the importance of evaluating governance quality "through the eyes of citizens," particularly at the local level where people most directly engage with government services (Kaufmann et al., 2011).

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, such as 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 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 (Clark et al., 2008; Kahneman et al., 1999; 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 (Diener et al., 1985). Together, these 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 rests on the idea that well-functioning local governance – characterized by effectiveness, efficiency, accountability, transparency, and responsiveness – shapes individuals' daily lives through multiple direct and indirect pathways. First, high-quality governance ensures equitable access to essential services such as healthcare, education, and infrastructure, directly improving material living conditions (Bardhan, 2002; Booth, 2011; Kahneman et al., 1999). Second, transparent and accountable governance fosters trust in institutions, creating a sense of security and social cohesion (Helliwell and Wang, 2011; Putnam, 2000; Rothstein and Teorell, 2008). By contrast, corruption or inefficiency erodes trust, fostering dissatisfaction and lowering wellbeing (Treisman, 2007).

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

Political engagement serves as another pathway. When local governments are effective, citizens are more likely to engage in political processes such as voting, attending community meetings, or contacting 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 poorly governed areas, however, participation may stem from frustration rather than empowerment, as individuals engage 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, I use seven rounds of individual-level survey data from Afrobarometer, specifically rounds 3 to 9. Afrobarometer is a non-profit research organization that conducts nationally representative, opinion-based surveys on social, political, and economic issues across more than 40 African countries. Each survey round typically samples 1,200 or 2,400 respondents per country. The survey questions are standardized across rounds, though they are periodically updated to reflect emerging issues and trends. The questions used in this study were asked consistently across all four rounds.

III.I.I Subnational Governance Quality

The Afrobarometer survey includes questions that ask respondents to directly evaluate the quality of their elected Local Government Councils (LGCs), which are the Metropolitan, Municipal or District Assemblies. These LGCs are the closest and most immediate form of political governance in Africa. In most cases, council members are 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 educational facilities.
This study examines how the quality of LGCs affects people's wellbeing. To measure quality, I construct an index that evaluates four key dimensions of LGCs 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 depicted above, all the questions have four-option responses, but with varying ranges. While the "general performance" question is measured on a 1–4 scale, the

remaining three questions are scaled on 0-3. To ensure consistency across 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 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.

Table 1 presents the Spearman's rank correlation matrix of these variables. The individual components of the SGQ index are all positively correlated at the 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, or the other way around.

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 in 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 reflects the material and resource-based aspects of subjective wellbeing.

The survey 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 refers to 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 interpretation of regression results, I standardize the variable on a 0–100 scale so that coefficients can be 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 both adequate nutrition

and healthcare access. In contrast, cash income and cooking fuel exhibit the weakest relationship (0.34). This likely reflects the widespread use of wood fuel in Africa, which does not require substantial financial resources. Overall, these critical dimensions are closely interrelated and reinforce one another in defining 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 on 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 coded 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 interpretation of the regression estimates, I transform it into a binary indicator called "Good Living Conditions," which equals one if the respondent reports "Fairly good" or "Very good," and zero otherwise. This focuses attention on whether respondents positively evaluate their living conditions.

III.II Summary Statistics & Preliminary Observations

Table **??** 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, resulting in a total sample of 223,488 respondents. However, most of the control variables contain some missing values. Consequently, the number of observations reduces in models that include these controls.

The SGQ index has a mean of 2.4 (on a 1–4 scale), indicating moderate governance quality across the sample. Among its components, perceived (low) corruption (mean: 2.66) shows the most positive rating, followed by trustworthiness and general performance. Responsiveness is rated the lowest (mean: 1.92), suggesting dissatisfaction with how local governments address citizen concerns.

For economic insecurity, the table shows that food, clean water, and medical care insecurities are moderate, averaging 1.07, 1.19, and 1.24, respectively (on a 0–4 scale). Cooking fuel is the least lacking item, while the lack of cash income is the most pressing concern (mean: 2.04), pointing to widespread shortages of wage employment. Overall, economic insecurity is relatively low, with a mean of 32.0 on a 0–100 scale. Meanwhile, only a little above one-third of respondents feel positively about their living conditions ("fairly good" or "very good").

The demographics reveal that the average respondent is about 37 years old, with ages ranging from 18 to 120 years. Female respondents make up 48 % of the sample, and 57 % of respondents reside in rural areas. Additionally, 31 % of respondents have completed at least secondary school, while about 37 % are employed in waged work,

either full or part time.
Figures 1 and 2 illustrate the relationship between SGQ and subjective wellbeing. Both figures reveal strong correlations. The left panel shows a negative association between SGQ and ECONINS, suggesting that as local governance quality improves, individuals report lower levels of economic insecurity. Similarly, the right panel depicts a positive relationship between SGQ and self-reported living conditions, indicating that better governance is associated with higher perceived wellbeing.

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

To examine the relationship between SGQ and subjective wellbeing, I estimate the following specification:

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

Here, y_{ijc} is the subjective wellbeing (economic insecurity or self-reported assessment of living conditions) of respondent i who resides in community j (village or town) within country c. The goecoded version of Afrobarometer's data includes information on respondent's town or village, representing the finest locality the survey was conducted. In rounds 3 and 4 (older rounds), this is coded as *place_name*, and entered as *townvill* in later rounds.[2]
SGQ_{ijc} is the respondent's assessment of the quality of their local government. Note that because SGQ is measured at the individual level, it combines two components. Firstly, it comprises community-level governance signal that reflects the actual quality of local governance experienced by all residents. Secondly, it includes individual perception noise, which captures idiosyncratic optimism or pessimism. Thus, the variation used to estimate κ, the coefficient of interest, comes from both differences across communities in average governance quality and differences within communities in how individuals perceive that quality.
X'_{ijc} is a vector of individual-level controls, including age (and its square), employment status, gender, educational attainment, and type of residence (rural/urban). α_c denotes country fixed effects that absorb time-invariant national characteristics, so that identification relies on within-country differences in SGQ rather than cross-country variation.

III.IV Estimation Framework II: IV Estimation

The OLS estimates from specification 1 may be biased if SGQ is endogenous. For example, communities with higher governance quality may differ systematically in unobserved characteristics such as historical infrastructure, civic culture, or economic opportunities that also influence subjective wellbeing. In addition, individuals with

[2]Where the *townvill* variable is missing, the author replaces it with the next available locality identifier, which is the district in most cases.

greater wellbeing or economic security may selectively locate in better-governed areas. These factors could lead to either overestimation or underestimation of the true relationship between SGQ and subjective wellbeing.

To address these concerns, I construct a leave-out-one (LOO) mean variable to instrument for individual-level SGQ. This instrument uses the collective perception of governance quality reported by other respondents within the same community (town or village) as an instrument for an individual's own assessment of SGQ. The idea relies on the assumption that individuals living under the same local governance jurisdiction are exposed to similar governance practices and thus share comparable experiences. Based on this assumption, the instrument is constructed by averaging the responses of all other respondents in the same community, excluding each individual's own rating. This instrument filters out individual-specific perception noise and isolates the common, community-level component of governance quality, ensuring that the identifying variation is driven by community-level characteristics rather than individual idiosyncrasies.

Formally, to instrument for respondent i's own assessment of SGQ in their community j ($SGQ_{-i,j}$), the LOO mean instrument is computed 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. The numerator sums all responses except that of individual i, ensuring that the instrument is not influenced by the given respondent's own perception.

A key caveat of this approach is that singleton communities (those with only one respondent) must be excluded, since the denominator $n_j - 1$ becomes zero and the expression will be undefined. In my sample, approximately 9 % of communities (2,848 out of 31,423) are singletons and are therefore excluded. This yields a final sample of 28,575 communities and 220,640 respondents – an average of 7.7 respondents per community, with sizes ranging from 2 to 419.

Traditionally, for the LOO mean to be a valid instrument, it must satisfy two primary conditions. First, it must be strongly correlated with SGQ (the relevance condition). Intuitively, since all individuals in a community are subject to the same governance structures, the aggregated perception of governance quality should strongly predict individual evaluations. This can be statistically verified in the first-stage regression, where $SGQ_{-i,j}$ should exhibit a strong and significant relationship with $SGQ_{i,j}$. In the results section, I verify instrument relevance through the strength of the first-stage estimates.

Second, the LOO mean instrument must satisfy the exclusion restriction. This requires that $SGQ_{-i,j}$, the instrument, affects subjective wellbeing only through its effect on $SGQ_{i,j}$. By construction, the instrument excludes an individual's own evaluation, mitigating individual-level biases that might confound both governance perceptions and wellbeing. Thus, the instrument is plausibly exogenous to an individual's subjective wellbeing.

However, the exclusion restriction extends beyond individual-level biases. It requires that aggregated community perceptions influence 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 perceptions might shape other collective behaviors such as protests, civic engagement, or advocacy which could also lead to tangible improvements in local services which could directly affect wellbeing. In such a scenario, the perception channel would be bypassed and the exclusion restriction condition violated.

To mitigate this concern, I add a specification where I include a battery of controls for observable community-level characteristics that could operate through these alternative 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.

While the inclusion of these controls helps account for observable community conditions that might arise from collective behaviors, it cannot fully capture unobservable pathways, such as optimism, trust, or social cohesion generated by positive community perceptions which can also influence wellbeing. In sum, while the controls strengthen the plausibility of the exclusion restriction, some residual unobserved confounding may remain.

With these assumptions, the LOO mean instrument isolates the community-level component of governance quality that is exogenous to individual perceptions, allowing the causal effect of SGQ on wellbeing to be identified. Estimating this causal effect involves two stages. The first stage involves showing the relationship between individual-level $SGQ_{i,j}$ and community-level $SGQ_{-i,j}$:

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

where $SGQ_{-i,jc}$ is the LOO mean instrument and π_1 captures instrument strength. In the second stage, the predicted values of SGQ ($\widehat{SGQ}_{ijc}$) from the first stage are used to estimate the causal effect of SGQ on subjective wellbeing:

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

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

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

	Performance	Responsiveness	Corruption	Trust
	Panel A. Dimensions of Subnational Governance Quality			
	N = 223,488			
Performance	1.0000			
Responsiveness	0.3345	1.0000		
Corruption	0.2915	0.1745	1.0000	
Trust	0.4541	0.3149	0.3243	1.0000

	Food	Water	Medicine	Cooking Fuel	Cash Income
	Panel B. Components of Economic Security				
	N = 223,488				
Food	1.0000				
Water	0.3879	1.0000			
Medicine	0.4695	0.4541	1.0000		
Cooking Fuel	0.4097	0.3795	0.4185	1.0000	
Cash Income	0.4828	0.3605	0.4782	0.3529	1.0000

Table 2: Summary Statistics

	(1) N	(2) mean	(3) min	(4) max	(5) sd
LGCs Performance	223,488	2.431	1	4	0.925
LGCs Responsiveness	223,488	1.923	1	4	0.939
LGCs Corruption	223,488	2.657	1	4	0.846
LGCs Trustworthiness	223,488	2.446	1	4	1.079
SGQ Index	223,488	2.365	1	4	0.664
Food Insecurity	223,488	1.067	0	4	1.212
Water Insecurity	223,488	1.185	0	4	1.374
Medical Treatment Insecurity	223,488	1.236	0	4	1.289
Cooking Fuel Insecurity	223,488	0.862	0	4	1.173
Cash Income Insecurity	223,488	2.041	0	4	1.358
Economic Insecurity	223,488	31.95	0	100	23.43
Good Living Conditions	223,488	0.326	0	1	0.469
Age	222,786	36.95	18	120	14.46
Female	223,483	0.482	0	1	0.500
Rural	223,488	0.574	0	1	0.495
Secondary School Completion	223,040	0.311	0	1	0.463
Employed	222,077	0.368	0	1	0.482

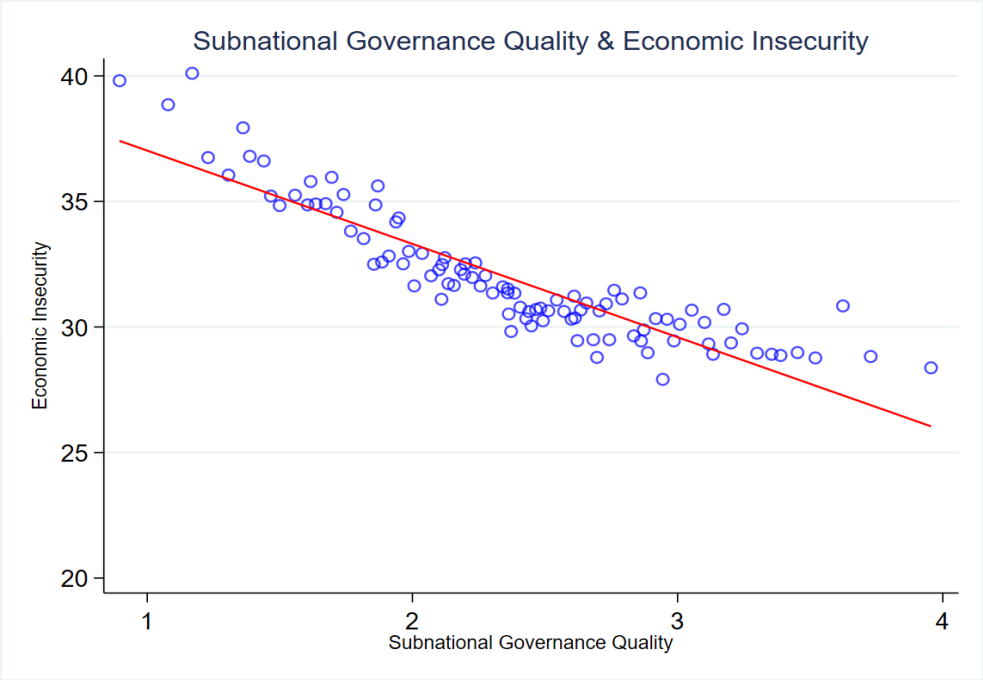

Figure 1: Notes: The figure depicts the relationship between subnational governance quality and economic insecurity. Values are residualized for country fixed effects to reflect within-country variation.

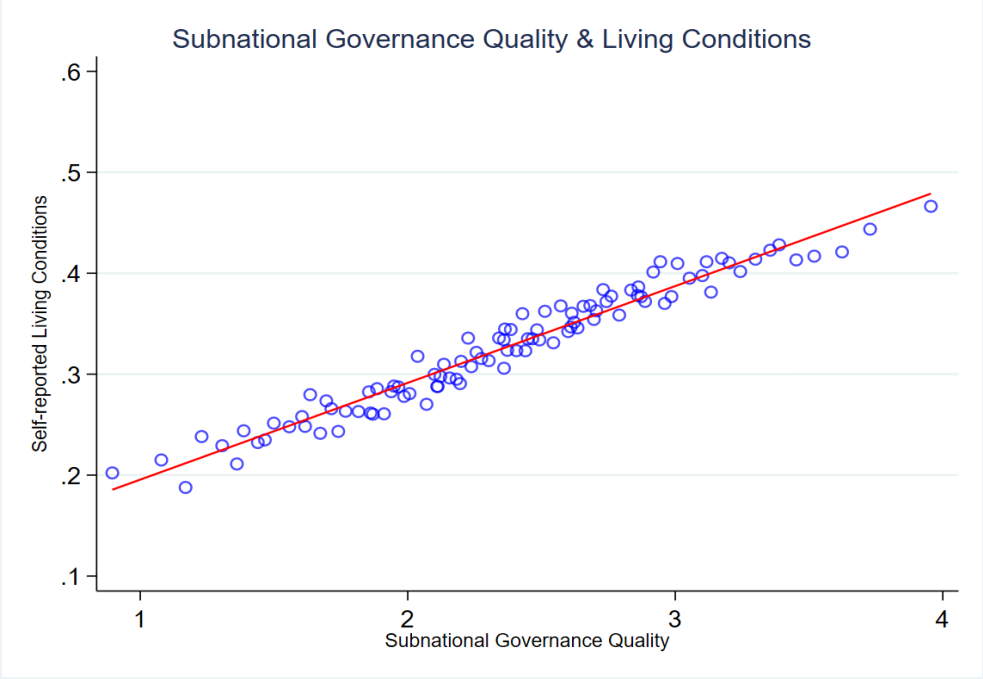

Figure 2: Notes: The figure depicts the relationship between subnational governance quality and living conditions. Values are residualized for country fixed effects to reflect within-country variation.

IV. Empirical Results

In this section, I report the empirical results, beginning with the OLS estimates followed by the IV estimates.

IV.I OLS Estimates

Table 3 reports the OLS estimates examining the relationship between SGQ and subjective wellbeing. All models include country fixed effects and survey round dummies to account for unobserved national-level heterogeneity and structural differences across survey waves respectively. 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 a one-standard-deviation increase in SGQ is associated with about a 2.4 percentage-point (pp) reduction in economic insecurity, roughly a 7.6 percent decrease relative to the mean level of economic insecurity (31.95). When individual-level controls are included in column (3), the magnitude of the coefficient increases (in absolute terms) to –3.0 pp, equivalent to about a 9.2 percent reduction relative to the outcome mean. SGQ is also positively associated with self-reported living conditions. Columns (2) and (4) show that a one-standard-deviation increase in SGQ raises the probability of rating one's living conditions as "fairly good" or "very good" by 6.5–6.9 pp, corresponding to approximately a 20–21 percent increase relative to the outcome mean of 0.326.

The control variables included in Models (3) and (4) also generally assume their expected signs. For example, employment and education are associated with lower economic insecurity and more favorable self-reported living conditions, while rural residence is associated with increased economic insecurity and poorer 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, they may still be biased due to potential endogeneity. I employ the leave-out-one (LOO) mean instrument to mitigate against this bias.

Results from the first stage of the IV estimation are presented in columns (1) and (2) of Table 4. Model (1) includes only the standard demographic controls, while model (2) adds community-level public goods and amenities. As explained previously, these additional community-level controls help mitigate concerns about the potential violation of the exclusion restriction condition.

The LOO-mean IV (average community ratings) exhibits a strong and statistically significant relationship with individual-level SGQ. A one-standard-deviation increase

in the average community assessment of LGC quality increases an individual's own rating by about 0.31 standard deviation, confirming that community perceptions strongly predict individual perceptions. The diagnostic statistics also confirm that the LOO mean is a valid and strong instrument. In both columns (1) and (2), the Kleibergen-Paap rk Wald F statistic exceeds 11,300, far exceeding the conventional threshold of 10, indicating that the instrument is not weak.

The second-stage results, shown in columns (3)–(6), reveal a strong and significant impact of subnational governance quality on subjective wellbeing. Compared with the OLS estimates, the IV estimates are larger in magnitude, consistent with attenuation bias in OLS arising from measurement error or endogeneity. The estimates in columns (4) and (6) suggest that a one-standard-deviation increase in SGQ reduces economic insecurity by about 5.1 pp, equivalent to a 15.9 percent decrease relative to the mean level of economic insecurity (32.05), and increases the likelihood of rating living conditions as "fairly good" or "very good" by 13.7 pp, roughly a 41.5 percent increase relative to the mean probability of 0.33.

IV.III Heterogeneous Effects

Table 5 investigates whether the impact of governance quality on subjective wellbeing varies across demographic groups. I interact the SGQ index with all the demographic subgroups, including rural/urban residence, education, gender, employment status, and age.

The interaction terms reveal important differences in the extent to which individuals benefit from improvements in SGQ. The point estimates of Rural $\times$ SGQ in columns (1) and (2) suggest that the effect of governance quality on wellbeing is attenuated in rural areas. This likely reflects disparities in governance effectiveness between urban and rural regions as urban areas typically have stronger infrastructure and institutional capacity, allowing even marginal improvements in governance to translate more quickly into material and subjective wellbeing gains. In rural settings, the absence of a strong infrastructural foundation and institutional capacity may delay the benefits of improved governance.

On the other hand, higher educational attainment appears to amplify the impact of SGQ. The results suggest that more educated individuals are better positioned to benefit from improvements in governance quality. One possible explanation is that education increases access to economic opportunities, enables more effective use of public services, and fosters greater political engagement, thereby enhancing the ability to capitalize on better governance.

Gender does not appear to moderate the relationship between SGQ and wellbeing, suggesting that men and women benefit similarly from improvements in governance quality. Employment status shows a mixed pattern. It does not significantly alter the effect of SGQ on economic insecurity, but being employed magnifies the effect of SGQ on self-reported wellbeing. Age also shows similar pattern. While it does not affect the relationship between SGQ and self-reported wellbeing, it amplifies the effect of SGQ on economic insecurity.

IV.IV Robustness Checks

I now test the robustness of my results to ensure that the observed relationship between SGQ and subjective wellbeing is not sensitive to specific measurement choices, model specifications, or sample restrictions.

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

As noted 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 specify whether respondents evaluated their LGCs based on how they govern (procedural) or what they deliver (services). As a result, respondents may have used different criteria when assessing governance quality.

To address this concern, I exclude the "overall performance" dimension and reconstruct the SGQ index using only procedural aspects of governance, which include responsiveness, trustworthiness, and perceived corruption. The results are presented in columns (1) and (2) of Table 6. The findings confirm that restricting the SGQ index to procedural aspects does not alter the main results. Improvements in SGQ continue to significantly reduce economic insecurity and improve individuals' subjective evaluations of their living conditions. More importantly, the estimates are similar in magnitude to the baseline results in Table 3.

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

I test the robustness of the results by applying Principal Component Analysis (PCA) to construct an alternative measure of governance quality. Specifically, 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 then generates "principal components," each capturing a certain proportion of this variation – all adding up to 100 %. In my sample, the first principal component (SGQ_PCA1) explains about 49 percent of the total variation in the four governance indicators. All four variables load positively on this component, with somewhat larger weights on local government performance and trust, and smaller but still positive weights on responsiveness and perceived corruption. This suggests that SGQ_PCA1 reflects institutional effectiveness and public confidence in local governance, the aspects that vary most across respondents.

The estimates using the first principal component are presented in columns (3) and (4) of Table 6. The estimates show that SGQ_PCA1 has a strong and significant effect on both economic insecurity and self-reported wellbeing. A one-unit increase in governance quality reduces economic insecurity by 2.14 pp and increases the probability of reporting good living conditions by about 5 pp. These results confirm that the relationship between governance quality and subjective wellbeing is not dependent on the particular construction of the SGQ index but holds under alternative

measurement approaches.

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

I also assess the separate effects of each SGQ component to identify which dimensions primarily drive the main results. Each component is measured on a 1–4 scale, with higher values indicating better governance quality. The reference category is SGQ = 1, representing the poorest governance rating. Results are shown in columns (5) and (6) of Table 6.

The estimates confirm that all four governance components are significantly associated with lower economic insecurity and higher self-reported wellbeing. The effects follow a consistent, roughly linear pattern in that higher ratings correspond to stronger effects. For instance, compared to areas where trustworthiness is rated at the lowest level (SGQ = 1), economic insecurity declines by about -2.1 pp when moving to the second category, 2.9 pp in the third category, and 3.1 points in the highest category. Similarly, higher trustworthiness increases the probability of reporting good living conditions by 3.4 pp at the second level, 6.0 pp at the third, and 9.1 pp at the highest.

IV.IV.IV Governance Quality and the Components of Economic Insecurity and Wellbeing

Here, I examine the effect of SGQ on the individual components of economic insecurity as well as an alternative definition of self-reported living conditions. For economic insecurity, I analyze moderate and severe forms of insecurity. I define moderate insecurity as instances where the respondent reports *ever* going without a given essential need in the past year, while severe economic insecurity is defined as scenarios where the respondent *always* went without these items. For self-reported living conditions, I define a new variable "very good" which is equal to one if the respondent reports feeling "very good" about their living conditions, and 0 otherwise.

Results are displayed in Table 7. Panel A shows estimates of the impact of SGQ on moderate economic insecurity and living conditions, whereas Panel B reports the estimates for severe economic insecurity. Across all components of economic insecurity and for both moderate and severe measures, the effect of SGQ is negative and statistically significant. A one-standard-deviation increase in SGQ reduces moderate insecurity by 2.4–4.8 pp, depending on the component. For severe insecurity, the magnitudes are smaller. For example, SGQ lowers severe cash-income insecurity by 2.4 pp ($\approx$ 15 percent of its mean of 0.16) and severe water insecurity by 1.3 pp ($\approx$ 15 percent of its mean of 0.084). The results also show a positive and statistically significant effect of SGQ on self-reported wellbeing. A one-standard-deviation increase in SGQ raises the likelihood of respondents rating their living conditions as "very good" by 1.6 pp, corresponding to roughly a 30 percent increase relative to the outcome mean (0.053).

IV.V Mechanisms

The results presented so far demonstrate a strong and significant effect of subnational governance quality (SGQ) on individual wellbeing. To understand the channels through which this relationship operates, I examine three potential pathways that connect governance to wellbeing. This includes political participation and civic engagement, institutional trust and legitimacy, and local service environment. These mechanisms reflect how citizens experience governance in their daily lives – through participation, confidence in institutions, and access to basic public goods.
To construct these mechanism variables, I rely on the following Afrobarometer survey questions:

- Voting: *Understanding that some people were unable to vote in the most recent national election in [20xx], which of the following statements is true for you?* Response options range from 0 ("Not registered to vote") to 9 ("Don't know/Can't remember"). I code the variable as 1 if the respondent reported voting in the last election and 0 otherwise.

- Collective Action: *Here is a list of actions that people sometimes take as citizens. For each of these, please tell me whether you, personally, have done any of these things during the past year. If not, would you do this if you had the chance: Got together with others to raise an issue?* Responses range from 0 ("No, would never do this") to 4 ("Yes, often"). I code 1 if the response is 2 or higher (i.e., the respondent participated at least once in the past year) and 0 otherwise.

- Attended Community Meeting: *Here is a list of actions that people sometimes take as citizens. For each of these, please tell me whether you, personally, have done any of these things during the past year. If not, would you do this if you had the chance: Attended a community meeting?* Responses range from 0 ("No, would never do this") to 4 ("Yes, often"). I code 1 if the response is 2 or higher (i.e., the respondent participated at least once in the past year) and 0 otherwise.

- Contacted Local Government Councilor: *During the past year, how often have you contacted any of the following persons about some important problem or to give them your views: A local government councilor?* Responses range from 0 ("Never") to 3 ("Often"). I code 1 if the response is 1 or higher (i.e., contacted at least once in the past year) and 0 otherwise.

- Trust in Institutions: *How much do you trust each of the following, or haven't you heard enough about them to say? (e.g., the President, Parliament, Electoral Commission, Police, and Courts).* Responses range from 0 ("Not at all") to 3 ("A lot"). For each institution, I code 1 if the response is 1 or higher (some trust or more) and 0 otherwise.

- Local Services and Infrastructure: *Are the following services present in the primary sampling unit/enumeration area: [e.g., Electricity grid that most houses*

could access]? Responses are coded 0 ("No") and 1 ("Yes") by field supervisors. I apply the same coding for other local services, including schools, piped water, health clinics, post offices, paved roads, police stations, and sewage systems.

All results are reported in Table 8. The results in Panel A show a positive and statistically significant association between SGQ and all four indicators of political engagement. A one-standard-deviation increase in SGQ raises the probability of voting by 2.1 pp, joining others for collective action by 2.6 pp, attending community meetings by 3.5 pp, and contacting a local councilor by 6.8 pp. Relative to the baseline means, these effects represent increases of about 3 %, 5 %, 6 %, and 24 %, respectively.

These results suggest that when citizens perceive their local governments as responsive, trustworthy, and less corrupt, they are more likely to engage with political processes. This finding is consistent with prior studies showing that perceived governance quality fosters citizen participation and a sense of political efficacy (Dalton, 2008; Kriesi, 2015; Norris, 2011). In contrast, where governance is perceived as unresponsive or corrupt, participation often declines or becomes grievance-driven rather than cooperative.

Panel B shows that SGQ is positively and significantly associated with trust in five key state institutions. A one-standard-deviation increase in SGQ increases trust in these institutions by between 0.12 and 0.17 points, or roughly 15–20 % relative to the mean levels of institutional trust. These results align with findings from broader literature that emphasize the role of perceived fairness and responsiveness of government in building institutional trust and legitimacy (Bouckaert, 2012; Helliwell et al., 2016, 2021; Rothstein, 2011). Because citizens often evaluate all branches of government through their day-to-day interactions with local officials, high-quality subnational governance can enhance trust in the state as a whole.

Finally, Panel C examines the association between SGQ and the availability of eight basic public services in the community. The results show mixed patterns. SGQ is positively associated with the presence of schools, health clinics, and post offices, facilities that are typically managed or maintained locally. In contrast, SGQ is negatively associated with large-scale infrastructure services such as electricity, piped water, paved roads, and sewage systems. Arguably, these utilities are more capital-intensive and often determined by national or geographic factors rather than local governance performance. Similar patterns have been observed in other developing-country contexts, where perceptions of local governance quality tend to align more strongly with the availability and maintenance of community-level social services than with large-scale infrastructure (Faguet, 2014; Gadenne, 2017). Overall, these results imply that perceived governance quality reflects the aspects of government most visible to citizens—day-to-day responsiveness, fairness, and delivery of basic social services rather than structural infrastructure that depends on higher-level policy and geography.

Taken together, these findings indicate that the wellbeing effects of SGQ likely operate through several complementary channels. Good local governance strengthens

citizens' engagement with political institutions, enhances trust in government, and improves the quality of local social services – all of which contribute to higher life satisfaction and reduced economic insecurity.

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

	(1) Economic Insecurity	(2) Good Living Conditions	(3) Economic Insecurity	(4) Good Living Conditions
SGQ	-2.424***	0.065***	-2.954***	0.069***
	(0.061)	(0.001)	(0.058)	(0.001)
Age			0.384***	-0.011***
			(0.017)	(0.000)
Age squared			-0.004***	0.000***
			(0.000)	(0.000)
Female			-0.212***	0.005***
			(0.077)	(0.002)
Rural			5.397***	-0.022***
			(0.156)	(0.003)
Education			-6.304***	0.070***
			(0.120)	(0.003)
Employed			-4.156***	0.034***
			(0.114)	(0.002)
Observations	223,488	223,488	221,002	221,002
R-squared	0.176	0.059	0.220	0.072
Country F.E.	Yes	Yes	Yes	Yes
Outcome Mean	31.95	0.326	32.04	0.326

The table shows the OLS estimates of the impacts of subnational governance quality (SGQ) on subjective wellbeing. SGQ standardized to have zero mean and a standard deviation of one, and is constructed from four key dimensions evaluating local government councils: general performance, responsiveness, trustworthiness, and perceived corruption. Subjective wellbeing is measured using 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. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

Table 4: 2SLS Estimates: The Impact of Subnational Governance Quality on Wellbeing

	(1) Subnational Gov. Quality Index	(2) Subnational Gov. Quality Index	(3) Economic Insecurity	(4) Economic Insecurity	(5) Good Living Conditions	(6) Good Living Conditions
	First Stage		Second Stage			
Avg. Community Ratings	0.306***	0.305***				
	(0.003)	(0.003)				
Subnational Gov. Quality			-4.592***	-5.112***	0.136***	0.137***
			(0.266)	(0.268)	(0.005)	(0.005)
School		0.020***		0.236		-0.003
		(0.006)		(0.211)		(0.004)
Piped Water		0.001		-3.107***		0.024***
		(0.005)		(0.184)		(0.003)
Health Clinic		0.007		-0.702***		0.003
		(0.004)		(0.164)		(0.003)
Post Office		0.022***		-0.099		0.006
		(0.006)		(0.211)		(0.004)
Paved Road		-0.016***		-1.371***		-0.005
		(0.004)		(0.166)		(0.003)
Police Station		-0.003		0.201		-0.000
		(0.005)		(0.184)		(0.004)
Electricity Grid		-0.048***		-3.229***		0.009**
		(0.005)		(0.204)		(0.004)
Sewage		-0.009*		-1.087***		0.012***
		(0.005)		(0.202)		(0.004)
Observations			218,166	210,151	210,151	210,151
Kleibergen-Paap rk Wald F.	11626.83	11308.43				
R-squared			0.062	0.069	0.013	0.013
Demographic Controls.	Yes	Yes	Yes	Yes	Yes	Yes
Country F.E.			Yes	Yes	Yes	Yes
Outcome Mean.			32.00	32.05	0.33	0.33

The table shows the 2SLS estimates of the impact of subnational governance quality (SGQ) on wellbeing. In the first stage, the dependent variable is SGQ and the main independent variable is the community ratings, which is the average community-wide perception of governance quality minus the average 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<0.01, ** p<0.05, * p<0.1

Table 5: The Heterogeneous Effects of Subnational Governance Quality on Wellbeing

	(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	-3.140***	0.075***	-2.864***	0.066***	-2.982***	0.069***	-2.979***	0.066***	-2.687***	0.069***
	(0.091)	(0.002)	(0.067)	(0.001)	(0.070)	(0.001)	(0.070)	(0.001)	(0.135)	(0.003)
Rural × SGQ	0.311***	-0.011***								
	(0.116)	(0.002)								
Education × SGQ			-0.319***	0.008***						
			(0.110)	(0.002)						
Female × SGQ					0.061	-0.001				
					(0.084)	(0.002)				
Employed × SGQ							0.071	0.007***		
							(0.100)	(0.002)		
Age × SGQ									-0.007**	-0.000
									(0.003)	(0.000)
Observations	221,002	221,002	221,002	221,002	221,002	221,002	221,002	221,002	221,002	221,002
R-squared	0.220	0.072	0.220	0.072	0.220	0.072	0.220	0.072	0.220	0.072
Country F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The table presents 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 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<0.01, ** p<0.05, * p<0.1

Table 6: Robustness Check: Alternative Constructions and Components 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
Procedural SGQ	-2.616***	0.062***				
	(0.057)	(0.001)				
SGQ PCA1			-2.138***	0.049***		
			(0.042)	(0.001)		
2.Overall Performance					-2.257***	0.014***
					(0.150)	(0.003)
3.Overall Performance					-4.414***	0.075***
					(0.157)	(0.003)
4.Overall Performance					-4.297***	0.096***
					(0.209)	(0.004)
2.Responsiveness					-0.889***	0.018***
					(0.119)	(0.002)
3.Responsiveness					-0.566***	0.020***
					(0.153)	(0.003)
4.Responsiveness					0.013	0.036***
					(0.209)	(0.004)
2.Corruption					-2.126***	0.011***
					(0.184)	(0.004)
3.Corruption					-3.883***	0.036***
					(0.179)	(0.003)
4.Corruption					-4.452***	0.057***
					(0.220)	(0.004)
2.Trustworthiness					-2.096***	0.034***
					(0.138)	(0.003)
3.Trustworthiness					-2.858***	0.060***
					(0.148)	(0.003)
4.Trustworthiness					-3.140***	0.091***
					(0.169)	(0.004)
Observations	221,002	221,002	221,002	221,002	221,002	221,002
R-squared	0.217	0.068	0.221	0.072	0.224	0.073
Country F.E.	Yes	Yes	Yes	Yes	Yes	Yes
Controls.	Yes	Yes	Yes	Yes	Yes	Yes

The table presents estimates of various robustness checks showing the effects of subnational governance quality (SGQ) on subjective wellbeing. Subjective wellbeing is measured using 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 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<0.01, ** p<0.05, * p<0.1

Table 7: Robustness Check: Effects of Subnational Governance Quality on Components of Economic Insecurity and Alternative Wellbeing Measure

	(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	-0.036***	-0.038***	-0.048***	-0.024***	-0.042***	0.016***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Observations	221,002	221,002	221,002	221,002	221,002	220,501
R-squared	0.132	0.083	0.132	0.175	0.075	0.024
Country F.E.	Yes	Yes	Yes	Yes	Yes	Yes
Outcome Mean	0.520	0.509	0.571	0.800	0.425	0.053
				Panel B		
	Severe Food Insecurity	Severe Water Insecurity	Severe Medical Care Insecurity	Severe Cash Income Insecurity	Severe Cooking Fuel Insecurity	
SGQ	-0.008***	-0.013***	-0.014***	-0.024***	-0.006***	
	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)	
Observations	221,002	221,002	221,002	221,002	221,002	
R-squared	0.022	0.040	0.037	0.088	0.016	
Country F.E.	Yes	Yes	Yes	Yes	Yes	
Outcome Mean	0.032	0.084	0.058	0.158	0.035	

The table presents 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<0.01, ** p<0.05, * p<0.1

Table 8: Pathways Linking Subnational Governance Quality to Individual Wellbeing

	(1) Voted in Last Elections	(2) Collective Action	(3) Attended Community Meeting	(4) Contacted Local Gov. Council	(5)	(6)	(7)	(8)
			Panel A. Political participation and civic engagement					
SGQ	0.021***	0.026***	0.035***	0.068***				
	(0.001)	(0.001)	(0.001)	(0.001)				
Observations	219,382	220,157	220,375	218,873				
R-squared	0.166	0.084	0.140	0.080				
Country F.E.	Yes	Yes	Yes	Yes				
Outcome Mean	0.711	0.508	0.596	0.279				
			Panel B. Institutional trust and legitimacy					
	Trust in President	Trust in Parliament	Trust in Electoral Body	Trust in Police	Trust in Courts of Law			
SGQ	0.133***	0.166***	0.154***	0.128***	0.118***			
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)			
Observations	217,806	214,846	210,602	220,015	217,140			
R-squared	0.154	0.200	0.171	0.152	0.132			
Country F.E.	Yes	Yes	Yes	Yes	Yes			
Outcome Mean	0.788	0.758	0.744	0.747	0.811			
			Panel C. The local service environment.					
	School	Piped Water	Health Clinic	Post Office	Paved Road	Police Station	Electricity	Sewage
SGQ	0.004***	-0.006***	0.003**	0.003***	-0.007***	0.001	-0.014***	-0.005***
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Observations	220,371	219,902	218,818	218,912	220,699	219,116	220,627	218,120
R-squared	0.056	0.367	0.095	0.226	0.274	0.164	0.432	0.378
Country F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Outcome Mean	0.861	0.546	0.601	0.215	0.400	0.351	0.632	0.280

The table presents estimates of the relationship between subnational governance quality (SGQ) and potential mechanisms linking governance to wellbeing. Panel A reports estimates for political participation and civic engagement, measured by whether respondents voted in the last election, joined others to raise an issue, attended a community meeting, or contacted a local government councilor. Panel B presents estimates for institutional trust, capturing confidence in the president, parliament, electoral commission, police, and courts of law. Panel C shows the association between SGQ and the presence of basic services and infrastructure in the community, including schools, piped water, health clinics, post offices, paved roads, police stations, electricity, and sewage systems. All models include demographic controls (age, age squared, gender, education, employment, and rural/urban residence) and country fixed effects. Robust standard errors are clustered at the community level. *** p<0.01, ** p<0.05, * p<0.1

V. Conclusion

This study examines the relationship between subnational governance quality (SGQ) and subjective wellbeing in Africa, a region where governance varies substantially across localities due to historical, institutional, and structural factors. Using data from more than 223,000 survey respondents across 40 African countries, I analyze how perceived SGQ affects subjective wellbeing, measured by a composite index of economic insecurity and self-reported living conditions.

Starting with OLS, I show a strong association between SGQ and subjective wellbeing. A one-standard-deviation increase in SGQ reduces economic insecurity by about 3 percentage points (pp) and increases the probability of rating one's living conditions as "fairly good" or "very good" by about 7 pp. Because these estimates may be biased due to potential endogeneity such as reverse causality or unobserved factors influencing both governance quality and wellbeing, I construct a leave-out-one mean variable to instrument for SGQ in order to isolate the *causal* effect of governance

quality 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 logic is that since all individuals in a given community experience the same governance structures and practices, they share similar perceptions on governance quality, and therefore aggregated community-level assessment can effectively predict a respondent's own perception. The first-stage results confirm this argument, showing that community-level assessments strongly predict individual perceptions.

The instrumental variable (IV) estimates show a robust positive impact of SGQ on subjective wellbeing. Specifically, a one-standard-deviation increase in SGQ reduces economic insecurity by more than 5 pp, equivalent to about 16 percent drop relative to the baseline mean. It also increases the likelihood of rating one's living conditions as "fairly good" or "very good" by almost 14 pp, corresponding to 41.5 percent increase above the average.

Conducting a heterogeneity analysis, I find that the impact of SGQ on wellbeing varies across demographics. The effects are somewhat muted in rural areas, while individuals with higher education seem to benefit more. The effect on self-reported wellbeing amplifies for those with waged employment. The effects do not vary by gender, but age tends to intensify the effect on economic insecurity.

Additionally, the findings prove robust across multiple sensitivity analyses. Whether governance quality is measured using strictly the procedural components of SGQ, or a data-driven approach such as Principal Component Analysis (PCA), the results remain consistent. Disaggregating SGQ into its individual components further shows that all aspects of governance contribute meaningfully to subjective wellbeing. Furthermore, examining the components of economic insecurity and self-reported wellbeing reveals that SGQ significantly reduces the likelihood of experiencing shortages of the individual components of the economic insecurity and increases the probability of individuals reporting "very good" living conditions.

The mechanisms analysis shows that higher SGQ encourages greater civic and political participation, strengthens trust in public institutions, and improves access to locally managed social services such as schools and clinics. These pathways suggest that good governance enhances wellbeing not only through improved service delivery but also by building institutional legitimacy and a stronger sense of citizen empowerment.

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