

Difference-in-Differences Example

The Impact of Recentralization on Public Services: A Difference-in-Differences Analysis of the Abolition of Elected Councils in Vietnam

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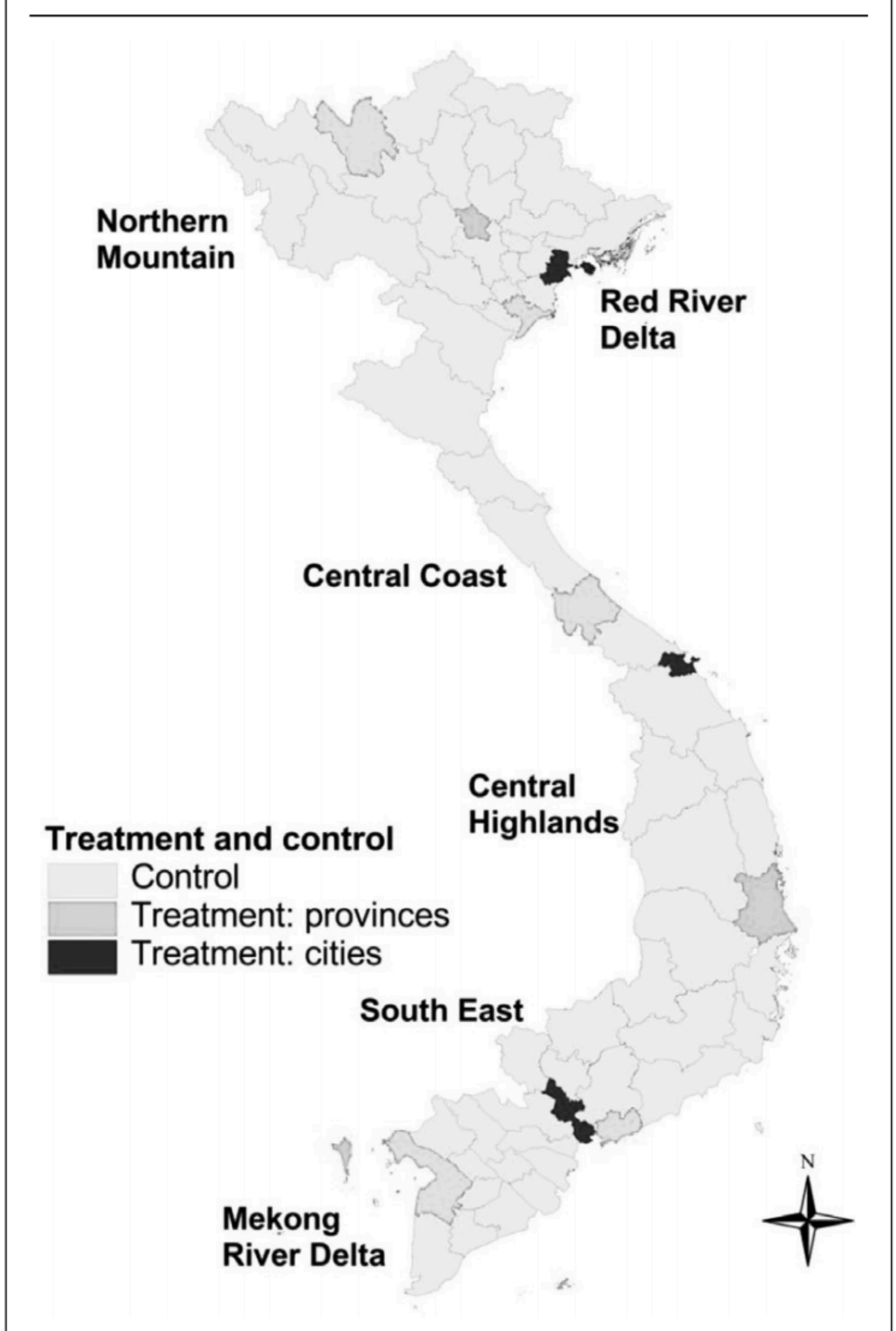
Abstract

Comparative political economy offers a wealth of hypotheses connecting decentralization to improved public service delivery. In recent years, influential formal and experimental work has begun to question the underlying theory and empirical analyses of previous findings. At the same time, many countries have grown dissatisfied with the results of their decentralization efforts and have begun to reverse them. Vietnam is particularly intriguing because of the unique way in which it designed its recentralization, piloting a removal of elected people's councils in 99 districts across the country and stratifying the selection by region, type of province, and urban versus rural setting. We take advantage of the opportunity provided by this quasi experiment to test the core hypotheses regarding the decision to shift administrative and fiscal authority to local governments. We find that recentralization significantly improved public service delivery in areas important to central policy-makers, especially in transportation, healthcare, and communications.

Brief background

- Local governments in Vietnam were responsible for organizing many public services such as health care.
- But then the central government decided to conduct a policy experiment.
- They removed local councils from a number of places.
- Decision-making in these places was recentralized.

FIGURE 2. Map of Treatment Provinces and National-Level Cities



Analysis

- The paper uses commune data from the three recent Vietnam Household Living Standard Surveys in 2006, 2008, and 2010.
 - 2010 is the post-treatment year, and 2006 and 2008 are pre-treatment years.
 - The data include a number of variables that the authors can use to measure the quality of local public services.

- The authors run a difference-in-differences specification with 2008 & 2010 data:

$$Y_{it} = \alpha + \beta Treatment_{it} + \gamma After_{it} + \delta Treatment_{it} \times After_{it} + \epsilon_{it}$$

- The replication materials are available here: <https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/IUG2C4>.