



## Regular Article

# Conditional cash transfers, civil conflict and insurgent influence: Experimental evidence from the Philippines<sup>☆</sup>



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## ABSTRACT

Conditional cash transfer (CCT) programs are an increasingly popular tool for reducing poverty in conflict-affected areas. Despite their growing popularity, there is limited evidence on how CCT programs affect conflict and theoretical predictions are ambiguous. We estimate the effect of conditional cash transfers on civil conflict in the Philippines by exploiting an experiment that randomly assigned eligibility for a CCT program at the village level. We find that cash transfers caused a substantial decrease in conflict-related incidents in treatment villages relative to control villages in the first 9 months of the program. Using unique data on local insurgent influence, we also find that the program reduced insurgent influence in treated villages. An analysis of possible spillovers yields inconclusive results. While we find no statistical evidence of spillovers, we also cannot rule out that the village-level effect was due to displacement of insurgent activity from treatment to control villages.

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## 1. Introduction

Since the end of World War II, over half of all countries in the world experienced civil conflicts (Blattman and Miguel, 2010), leading to the deaths of more than 16 million people and the destruction of immense amounts of physical capital (Fearon and Laitin, 2003). In addition to these direct effects, conflict causes lower levels of economic growth (Abadie and Gardeazabal, 2003; Lopez and Wodon, 2005), education (Leon, 2012), and adverse health outcomes like low birth weight (Ghobarah et al., 2004; Camacho, 2005; Mansour and Rees, 2012). Overall, conflict-affected countries have had substantially lower rates of poverty reduction and have made slower progress towards achieving the Millennium Development Goals (World Bank, 2012). In response to these findings, there have been calls for an increase in development

assistance to conflict-affected countries, most prominently from the World Bank (World Bank, 2012).

The effect of aid on conflict, however, remains largely unknown. Empirical evidence that aid can reduce conflict comes from Berman et al. (2011a), who find that small-scale aid and reconstruction spending disbursed by the US Army in Iraq led to a decrease in violence against US forces and civilians. There are two potential mechanisms that may explain this effect. First, aid may increase popular support for the government by “winning hearts and minds.” This may make the population more likely to provide information on insurgents to government forces, better enabling them to capture or kill insurgents and reduce insurgent attack rates (Berman et al., 2011a). Second, aid programs may increase the opportunity cost of joining an insurgency by boosting the local economy and creating higher returns to peaceful activities.

However, recent evidence suggests that aid can also exacerbate conflict by creating incentives for looting and strategic retaliation. For instance, Crost et al. (2014) find that infrastructure spending in the form of community-driven development (CDD) projects increased conflict in the Philippines; Khanna and Zimmermann (2014) find that a rural employment program increased conflict in India<sup>1</sup>; and Nunn and Qian, (2014) find that US food aid increased conflict in recipient

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<sup>1</sup> However, Fetzer (2014) finds that the same program decreased the relationship between rainfall and conflict, suggesting that the program reduced conflict in years of drought.

**Table 1**  
Prevalence of Armed Groups in the Philippines, 2001–2010.

| Group | Nationwide | Experimental |
|-------|------------|--------------|
| NPA   | 60%        | 72%          |
| MILF  | 11%        | 10%          |
| LE    | 19%        | 18%          |
| ASG   | 5%         | 0%           |
| Other | 5%         | 0%           |
| Total | 100%       | 100%         |

Data come from incident reports by AFP troops, 2001–2010.

countries. Given the mixed evidence on the effect of aid on conflict so far, an important economic question with significant policy relevance is, therefore, how aid can be delivered in a manner that reduces poverty without exacerbating conflict.

This study examines the effect of a large conditional cash-transfer (CCT) program – the Philippines' *Pantawid Pamilyang Pilipino Program* (hereafter referred to as *Pantawid Pamilya*) – on civil conflict. CCT programs distribute cash payments to poor households that meet a number of prerequisites and conditions, such as child vaccinations and school attendance. Over the past decade, they have become one of the most important modes of delivering development aid and a large literature documents their positive impact on the well-being of the poor (Fiszbein and Schady, 2009). However, little is known about the relationship between CCT programs and civil conflict.<sup>2</sup> Understanding this relationship is both a timely and important issue: CCT programs are currently operating in numerous conflict-affected countries, including Colombia, India, Indonesia, and the Philippines, and are increasingly being used to deliver aid to displaced persons in conflict zones (UNHCR, 2012).

Our analysis exploits a randomized experiment conducted by the World Bank in 2009.<sup>3</sup> In this experiment, 130 villages in 8 municipalities of the Philippines were randomly divided into a treatment group, which began receiving transfers through the program in 2009, and a control group, which did not receive transfers until 2011. Using a unique village-level dataset on conflict incidents reported by the Armed Forces of the Philippines (AFP) – the most comprehensive data source on conflict in the Philippines – we estimate the causal effect of CCTs on conflict by comparing the intensity of violence in treatment and control villages before and after the start of the program. We further exploit the fact that the 8 municipalities in which the village-level experiment took place were randomly chosen out of a set of 19 eligible municipalities. We compare the 8 experimental municipalities, which received the program in only half of their villages, to the remaining 11 municipalities, who were fully covered by the program, to test for evidence of spillover effects on nearby untreated villages.

In addition, we estimate the effect of *Pantawid Pamilya* on local insurgent influence, using data from comprehensive assessments made by the Philippine military. It is important to understand the effect of different types of aid on this outcome because insurgent influence can have substantial negative consequences even in the absence of violence.<sup>4</sup> The

<sup>2</sup> A recent study found that the Brazilian CCT program Bolsa Familia led to a reduction in crime, mostly in the form of robberies and drug-related offenses (Chioda et al., 2012). However, it is difficult to extrapolate from the behavior of individual criminals to the behavior of insurgent organizations that act strategically and pursue political goal on a large scale. For example, Crost et al. (2014) find evidence that CDD projects increased conflict in the Philippines because insurgent groups sabotaged these projects in order to derail their successful implementation and avoid an anticipated shift in popular support towards the government. It is therefore possible that aid programs might reduce crime, perhaps by increasing the opportunity cost of criminal behavior, but increase civil conflict because insurgents have an incentive to sabotage them because successful implementation would undermine their position.

<sup>3</sup> Data from this experiment have been previously used to estimate the effect of *Pantawid Pamilya* on household and individual level outcomes such as consumption, education, and health (Chaudhury et al., 2013), and on electoral support for incumbent politicians (Labonne, 2013).

<sup>4</sup> For a survey of the qualitative evidence for negative economic and welfare consequences of insurgent influence, see (Kalyvas, 2006). On insurgent influence and predation, see also Fearon (2008), Berman et al. (2012).

**Table 2**  
4Ps experimental sample.

| Region      | Province           | Municipality | Treatments | Controls |
|-------------|--------------------|--------------|------------|----------|
| CAR         | Mountain Province  | Paracelis    | 4          | 5        |
| CAR         | Mountain Province  | Sadanga      | 4          | 4        |
| Region IV-B | Occidental Mindoro | Paluan       | 6          | 6        |
| Region IV-B | Occidental Mindoro | Santa Cruz   | 5          | 6        |
| Region VII  | Negros Oriental    | Jimalalud    | 15         | 13       |
| Region VII  | Negros Oriental    | Basay        | 5          | 5        |
| Region X    | Lanao del Norte    | Lala         | 13         | 14       |
| Region X    | Lanao del Norte    | Salvador     | 13         | 12       |

presence of insurgents can depress economic activity by eroding the rule of law and creating insecure property rights that may disincentivize investment (Berman et al., 2012). In addition, insurgents often levy taxes on the population, imposing an additional burden on economic activity (Weinstein, 2006; Berman et al., 2012). In the Philippines, rebel extortion activities known as “revolutionary taxes” imposed by the New People's Army (NPA) on businesses discourage investment and permit the rebels to extract rents from areas where they wield influence (International Crisis Group, 2011; Quimpo, 2014). A program that reduces violence by weakening insurgent influence is therefore likely to have more beneficial long-term effects than a program that merely reduces incentives to commit acts of violence but does not affect the local influence of insurgents.

Our analysis finds that CCTs led to a substantial decrease in conflict incidents in treated villages in the first year of the program, and a smaller and statistically insignificant decrease in the second year. We further find evidence that treated villages experienced a decrease in insurgent influence compared to control villages, suggesting that the program weakened rebel presence. To our knowledge, this is the first experimental evidence of the effect of CCTs on conflict<sup>5</sup> and the first evidence of the effect of any development program on local insurgent influence. The results of the municipal level analysis are inconclusive: we find no statistically significant evidence that municipalities in which the program was fully implemented in all villages experienced a decrease in conflict relative to municipalities in which only half of the villages received the program, and large standard errors do not allow us to rule that the program had a sizable conflict-increasing or conflict-decreasing effect at the municipality level. This means that we cannot rule out the possibility that the program's village-level effect was due to displacement of conflict from treatment to control villages.

Our findings suggest that the effect of CCT programs differs from those of other types of aid interventions, notably community-driven development, rural employment projects, and food aid, which recent studies have found to increase conflict (Crost et al., 2014; Khanna and Zimmermann, 2014; Nunn and Qian, 2014).<sup>6</sup> We discuss possible reasons for this difference in the concluding section. More broadly, our results imply opportunities for future research to evaluate how different types of aid programs influence the risk of violent conflict.

## 2. Institutional background

### 2.1. The *Pantawid Pamilya* program

This paper studies the *Pantawid Pamilya* program, a conditional cash-transfer program implemented by the Philippine government's Department of Social Welfare and Development (DSWD) and partly funded through loans from the World Bank and the Asian Development Bank. Since it began in 2007, the program financed transfers to

<sup>5</sup> There is, however, recent non-experimental evidence that CCTs increased conflict in Colombia (Weintraub, 2014).

<sup>6</sup> However, Beath et al. (2011) found little evidence that CDD programs affected insurgent violence in their evaluation of Afghanistan's National Solidarity Program.

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