



The local electoral impacts of conditional cash transfers[☆] Evidence from a field experiment

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ABSTRACT

I assess the impacts of targeted government transfers on a local incumbent's electoral performance. I use the randomized roll-out of a CCT program in the Philippines. Although the program was usually implemented in all villages in a municipality, a subset of beneficiary municipalities were randomly selected to receive the program in a randomly selected subset of villages. A number of municipalities are tightly controlled by political dynasties and, thus, I can test whether the effects are dependent upon the political environment. In a competitive political environment, incumbent vote share is 26 percentage-points higher in municipalities where the program was implemented in all villages than in municipalities where the program was implemented in half of them. The program had no impact in municipalities with low levels of political competition. Further, there is evidence consistent with the argument that incumbents compensated households in control villages by redistributing their own budget there.

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1. Introduction

Can anti-poverty programs implemented by the central government at the local level increase local incumbents' re-election chances? Strategic concerns on the part of the central government have made it challenging to causally interpret correlations observed in the data. Recently, researchers have used data from quasi-experiments to provide evidence consistent with a causal impact of increased government spending on local incumbents' re-election chances (Brollo et al., 2010; Litschig and Morrison, 2010).¹ If that is the case, there is a risk that the loss associated with this indirect decrease in local electoral accountability outweighs the direct benefits from government spending.² This concern might be especially acute in the case of anti-poverty programs targeted to poor districts, that are often governed by poorly performing

elected local officials. Even in situations where such programs have direct long-term benefits on household welfare, those impacts could be mitigated by negative impacts on accountability.

Over the past decade, there has been a steady increase in the number of countries that have set up conditional cash transfer (CCT) programs. They were first implemented in Mexico, starting with the now well-known PROGRESA, before spreading to the rest of Latin America. Recently such programs have started in a number of countries from East Asia to Africa. While implementation arrangements vary by context, the basic premise is that once identified according to some pre-established criteria, poor households receive a grant as long as they meet certain conditions. Available evidence provides support for the view that such programs improve household welfare (Fiszbein and Schady, 2009).

This paper assesses the impacts of conditional cash transfers on a local incumbent's electoral performance and tests whether the impacts vary with the district's political environment. Indeed, despite the current trend towards fiscal decentralization and the growing importance of local politicians, there is no direct evidence of CCT impacts in districts where CCT programs are implemented.³ This paper builds on the recent literature on the impacts of CCT programs on political support for, and the reelection prospects of, the governments that implement them. There is evidence on the positive political impacts of CCT programs in Brazil, Colombia, Mexico and Uruguay (De La O, 2013; Manacorda et al., 2011; Nupia, 2011; Zucco, 2010).

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¹ This is in line with the findings from the political budget cycle literature. However, in a number of empirical papers the source of variation in government spending is not identified.

² Brollo et al. (2010) show that in Brazil government transfers increased political corruption and decreased the quality of candidates for mayor.

³ The only exception is Bobba (2011) who finds that, in Mexico, candidates affiliated with the party that launched PROGRESA are less likely to be elected in municipal elections. There is a one term limit for local politicians and as such his sample does not include incumbents.

In this paper, I develop two competing models assessing the impacts of targeted transfers from the central government on a local incumbent's electoral performance. Each model highlights a different mechanism through which transfers could affect the incumbent. I then test the models using precinct-level results from the May 2010 municipal elections in municipalities participating in a large-scale CCT program in the Philippines. This program offers a good setting to test the models' predictions. Indeed, while the program is usually implemented in all villages in a municipality, from a subset of nineteen beneficiary municipalities, eight were randomly selected to receive the program in a randomly selected subset of the villages. In addition, the level of electoral competition at the local level varies greatly in the Philippines, where a number of municipalities are characterized by the presence of family dynasties which have been in power for decades.⁴ Those dynasties use different electoral strategies which greatly limit voters' ability to cast their ballot as they wish (Sidel, 2004). It is thus possible to test whether the effects are dependent upon the local political environment. In beneficiary municipalities, the program represents a large increase in resources received from the central government. In my sample of municipalities in which the program was implemented in all villages, the annual sum of household grants is about PHP 29.7 million which represents about 71% of regular fiscal transfers from the central government.

The main challenge to the empirical analysis stems from the fact that the set of eligible municipalities over which the randomization was carried out is small. Standard methods to correct for clustering still lead to over-rejection of the null hypothesis of no effect when the number of clusters is small (Cameron et al., 2008). As a result, in addition to standard errors obtained with the cluster option in Stata, I report Moulton-type standard errors and, importantly, I use critical values from a t-distribution with degrees of freedom determined by the number of clusters and the number of covariates that do not vary within clusters. I also use information about the randomization process to compute exact distributions for key estimates using randomization inference (Rosenbaum, 2002).

In competitive political environments incumbent vote share is 26 percentage points higher in municipalities where the program was fully implemented than in the municipalities where only half of the villages were treated. In addition, within municipalities, there is no difference in incumbent vote share between villages that were treated and villages that were not. This surprising finding, when compared with the previous result, can be explained by incentives faced by incumbents in municipalities where only a subset of the villages are treated by the program. Indeed, the marginal return of incumbents' own transfers are higher when they target villages where the program is not implemented. Consistent with this interpretation, there is evidence that, within municipalities, support for the incumbent is higher in treated villages in municipalities where the pre-transfer municipal budget is low, as incumbents are less able to target non-beneficiaries with their own resources. Those results are related to earlier findings that incumbents are rewarded or penalized for events beyond their control suggesting that, to some extent, voters are unable to distinguish competence and luck (Cole et al., 2008; Healy et al., 2010; Wolfers, 2007).

Finally, the results also contribute to the literature on political budget cycles by showing that increased spending before an election benefit local incumbents. In developed countries, available evidence suggests that incumbents tend to be penalized for increasing spending ahead of an election.⁵ Recent studies have shown that, at the local level in developing countries, higher levels of government spending increase local incumbent's reelection rates, however (Akhmedov and Zhuravskaya, 2004; Jones et al., 2009; Sakurai and Menezes-Filho,

2010). Jones et al. (2009) suggest that the structure of fiscal decentralization can explain those conflicting findings. In a decentralized setting with soft budget constraints, increased spending signals local officials' ability to extract resources from the center; conversely, in areas where local governments face stricter budget constraints, deficits are punished (Jones et al., 2009). Evidence presented in this paper is consistent with this explanation as increased spending is coming from the central government.

The remainder of this paper is organized as follows. Section 2 provides an overview of local political dynamics in the Philippines and of the program being evaluated. Section 3 presents two models of voting behavior in a decentralized system. Section 4 introduces the data and the estimation strategy is presented in Section 5. The results are discussed in Section 6 and Section 7 concludes.

2. The setting

In this section, I explain why both the political context and the program being evaluated offer a good setting to test the impacts of anti-poverty programs on local incumbents' electoral performance.

2.1. Local political dynamics in the Philippines

First, Philippine municipalities are characterized by strong mayors who often campaign on their ability to secure resources from higher levels of government (De Dios, 2007; Lande, 1965; Sidel, 1999). As a result, they often attempt to claim credits for central government programs implemented in their municipalities. For example, a number of mayors attempted to claim credit for the program evaluated here, ahead of the 2010 elections (PCIJ, 2011).⁶ Credit claiming continued after the 2010 elections and reached such high levels that, in 2012, the central government issued a directive preventing local officials from displaying their names and photos on materials bearing the project logo.⁷ It is unclear whether the campaign was effective but it does not affect the analysis since the data used in the paper are from the 2010 elections.

The mayoral position has been strengthened by reforms that followed the fall of Marcos in 1986. The first Aquino government set out to re-establish the balance of power between national and local politicians that characterized the Philippines up until Marcos' presidency (Hutchcroft and Rocamora, 2003). A new local government code, transferring significant responsibilities to provincial, municipal and barangay Local Government Units (LGU), was passed in 1991.⁸ It was widely acknowledged as a very progressive legislation that strengthened the power of local politicians (Brillantes, 1992).

Second, the level of electoral competition varies greatly across municipalities. As a result, it is possible to test whether the effects of anti-poverty programs vary depending on the municipality's political environment. Indeed, despite being prohibited by the 1987 Constitution,⁹ political dynasties are a dominant feature of political life in a number of Philippine municipalities (De Dios, 2007). They are characterized by persistence through time and space. Family members take turns holding certain offices and hold different elected offices at the same time. Indeed, while local officials can only hold their position for three consecutive terms, a common strategy is

⁶ In an extreme case, prior to the elections, a mayor was telling beneficiaries that transfers would be stopped if he was not re-elected. A project staff who tried to provide accurate information to beneficiaries received death threats and had to be transferred to another municipality.

⁷ Memorandum Circular 2012-44 Department of the Interior and Local Government. Available at http://www.dilg.gov.ph/PDF_File/issuances/memo_circulars/DILG-Memo-Circular-201237-ce108cf224.pdf accessed on April 26, 2012.

⁸ The barangay is the lowest administrative unit in the Philippines and corresponds to a village.

⁹ Article II, Section 26 of the 1987 Philippines constitution states *The State shall guarantee equal access to opportunities for public service, and prohibit political dynasties as may be defined by law*. Given the return of a large number of pre-martial law political families to Congress in the 1987 elections no law defining political dynasties was ever passed (Abinales and Amoroso, 2005).

⁴ This is similar to patterns in the US Congress described by Dal Bo et al. (2009), who also provide evidence that political power is self-perpetuating. Querubin (2013) presents comparable evidence for the Philippine Congress.

⁵ See, for example, Peltzman (1992), Brender (2003) and Brender and Drazen (2008).

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