The Allocation of Large Anti-Poverty Programs: Political Motives and Voting Effects

Oskar Nupia

Universidad de los Andes
Facultad de Economía

Motivation and Aim

During the last fourteen years, several developed and developing countries have implemented anti-poverty programs in the form of conditional cash transfer payments to lower income families.

Little attention has been paid to both the political motives behind the allocation of these programs across regions/groups, and the potential effects these programs might have on electoral outcomes.

Using a comprehensive panel data-set for Colombian municipalities, in this paper I study these concerns

Motivation and Aim

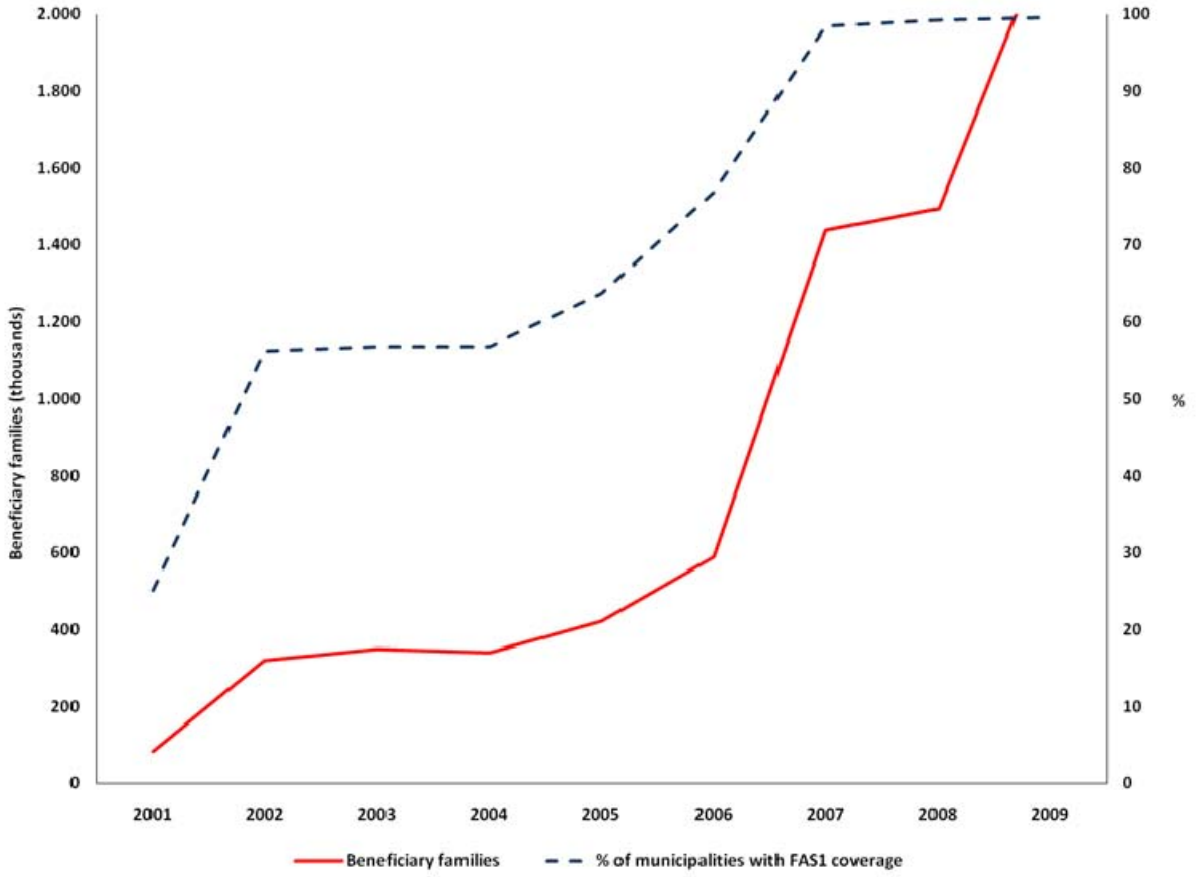
Colombia is a particularly interesting case to test for these hypotheses:

FA anti-poverty program encompasses both the budget distribution across regions and direct income cash transfers.

One of the largest poverty rates in Latin America (49.7%) with one of the worst income distributions.

Since beginning in 2001, the FA program has exhibited a significant expansion.

FA anti-poverty program
Number of beneficiary families and % of municipalities with coverage
2001-2009



Source: Colombian Social Action Office. Own computation.

Other Empirical Studies

- De la O (2010) – *PROGRESA*-Mexico.
- Manacorda, et al. (2009) –*PANES* Uruguay.
- Baez et al. (2012) – FA Colombia.

Our contribution

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1. It provides evidence concerning the political motives behind the allocation of large anti-poverty programs (in the form of conditional cash transfers). No previous study has analyzed this issue in this context.

2. It adds empirical evidence on the effect of large anti-poverty programs on “real” electoral outcomes.

In doing this, we offer an alternative way to mitigate—in the absence of reliable instrumental variables and effective measures of voting behavior—potential endogeneity problems for the allocation of public programs.

The FA Anti-Poverty Program

FA provides direct conditional cash assistance to the poorest families (SISBEN 1).

Subsidies: Nutrition (families with children under 7 years of age- $9-$22 per month); Education (to children 7-18 year old, $7-$52 per month).

Identification and selection of municipalities: Non-random.

However Institutional capacity (health and education supply), and formal and informal financial mechanisms should be taken into account.

Political background

2002: Independent candidate Uribe was elected in the first-round (53%) as Colombia's president for the period 2002-2006. (+ *Partido Conservador*).

2004: A constitutional amendment allowed for presidential re-election.

2006: Uribe was re-elected in the first-round (62%) for the period 06-10.

- 2006-2010 governing coalition: *la U*, *Cambio Radical*, *Conservador*.

2010: Each of the parties belonging to the governing coalition decided to run in the first-round presidential elections under a different candidate. No candidate was elected in this round, and Santos (with the governing coalition support) was elected president in the 2nd round (69%).

Data and Measures

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Testing for Political Rewards:
Incumbent's vote share. (Information source: *Registraduria Nacional*)

Incumbent's vote share (A): matches the 2006 Uribe's vote share with the first-round sum of the governing coalition parties' vote share for 2010.

Incumbent's vote share (B): matches the 2006 in Uribe's vote share with the Santos' second-round vote share for 2010.

Data and Measures

Concentration of loyal voters (Stromberg 2004; Larcinese, et al. 2006; and Ansolabehere and Snyder 2006):

LOYAL: The average of the governing coalition's share of votes in all races for mayor, governor, lower house (the Chamber of Representatives), and president held during the preceding nine/ten years relative to the years under consideration (i.e., 2006 and 2010)

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LOYAL_-1: Drops the information for the last two elections during the window

LOYAL_-2: Drops the information for the last four elections during the window.

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Dependent variable: FA beneficiary rate.

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Swing voter models (Lindbeck and Weibull 1987; and Dixit and Londregan 1995 and 1996): The incumbent's strategy may be to allocate more public resources to swing municipalities—those where the incumbent is electorally vulnerable and expects negative electoral outcomes, but where an increase in the allocation of resources may favorably affect the electoral results.

Testing for the incumbent's allocation strategy

Fixed-effects estimates

Dependent variable: FA beneficiary rate

	Using SWING and LOYAL	Using SWING_-1 and LOYAL_-1	Using SWING_-2 and LOYAL_-2
	1	3	5
Concentration of swing voters	0.233	0.067	0.245*
	(0.213)	(0.188)	(0.145)
Concentration of loyal voters	0.534***	0.438***	0.320***
	(0.160)	(0.130)	(0.104)
Number of bank offices (per 1,000 people)	-38.142	-36.552	-32.559
	(39.536)	(39.438)	(38.731)
Number of public schools (per 1,000 children)	3.033**	2.917**	2.823**
	(1.263)	(1.254)	(1.235)
Number of health care staff (per 1,000 people)	6.008***	5.856***	5.703***
	(1.521)	(1.523)	(1.531)
Percentage of people with UBN	0.182	0.170	0.221
	(0.469)	(0.473)	(0.473)
Observations	2,056	2,056	2,056
R-squared	0.754	0.752	0.754
Number of municipalities	1,028	1,028	1,028

No reported controls: % of children, per capita GDP, state unemployment rate, population, time-fixed effects. Robust standard errors in parentheses. ***1% significance, ** 5% significance, * 10% significance.

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Moreover, fixed-effects estimates allow us to minimize the potential biases that can emerge from time–invariant municipal characteristic such as might be correlated with other potential unobserved motives of the incumbent vis-à-vis allocation of the FA program.

Effect of FA program on incumbent vote share
Fixed-effects estimates

Dependent variable: Incumbent vote share

	Incumbent vote share (A)		Incumbent vote share (B)	
	1	2	4	5
FA beneficiary rate	0.068***	0.065***	0.097***	0.094***
	(0.012)	(0.012)	(0.014)	(0.014)
SWING		-0.057		0.114
		(0.063)		(0.070)
LOYAL		0.131***		0.028
		(0.045)		(0.056)
Observations	2,056	2,056	2,056	2,056
R-squared	0.369	0.373	0.629	0.631
Number of municipalities	1,028	1,028	1,028	1,028

No reported controls: economic, demographic, political and violence controls Robust standard errors in parentheses. ***1% significance, ** 5% significance, * 10% significance. All regressions include time-fixed effects.

Effect of FA program on incumbent vote share

Take $\beta_1 = 0.08$: An increment of 12.5 points in the FA beneficiary rate in a municipality (less than one standard deviation) increases v_{it} by one percentage point, i.e.

In other words, an expansion of 500 new FA beneficiary families (average population: 40.000 inh.) generates an increment of one point in v_{it}.

Such an expansion generates an increment in the incumbent's vote of approximately 110 votes, which implies additional spending of 383 US thousand dollars.

Conclusions

Governing coalition has used the FA program to target intensively loyal regions rather than swing regions.

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1. This suggests that the administering of these programs provides the incumbent political advantage during the electoral process and may potentially reduce political competition.

2. The possibility of obtaining political rewards through the FA program might affect the public policies implemented by an incumbent to the detriment of other potentially efficient public policies (like investment on infrastructure or another public goods) such as might have positive effects on poverty.