

Disability, Poverty, and Schooling in Developing Countries

● Deon Filmer

Children with disabilities are less likely to acquire the education they need to earn high incomes and avoid poverty

The target of universal education remains elusive: worldwide, around 100 million children of primary school age are not in school. Children with disabilities face particular hurdles in attending, and completing, school in developing countries.

While there has been policy discussion about interventions to increase access to schooling for children with disabilities, there has been little systematic empirical analysis on which to base this policy. A large part of the reason for this is the lack of appropriate and comparable data. A new study by Filmer aims to start filling some gaps in knowledge using existing Demographic and Health Surveys, Multiple Indicator Cluster Surveys, and other Integrated Household Surveys. The 14 surveys—the earliest from 1992 and the most recent from 2004—provide data on the prevalence of disability and its association with poverty and schooling in 1 transition and 12 developing economies.

Defining disability is complicated—and controversial. Purely medical definitions are giving way to definitions that incorporate continuous measures of the activities that people can undertake, the extent of participation in society and social and civic life, and the role of adaptive technologies. The definitions of disability in the data sets used in the analysis are most closely consistent with a focus on impairment—such as having a missing limb or limited or no sight.

But there is much variation across the surveys. In the Cambodia Socio-Economic Survey, for example, the disability question includes a detailed list of potential cases: “amputation of one limb; amputation of more than one limb; unable to use one limb; un-

able to use more than one limb; paralyzed lower limbs only; paralyzed all four limbs.” In the Jamaica survey, by contrast, there is one category, defined simply as a household member having a “physical or mental disability.” The Mongolia survey describes sight and hearing problems as seeing or hearing “with difficulty,” while others typically characterize such problems as “blind” and “deaf.”

Despite these limitations the data are revealing. Consistent with similar surveys, the 14 surveys identify around 1–2 percent of the population as having a disability. Data for Cambodia, with two surveys and varying definitions, suggest that the percentage is not always sensitive to the exact definition: different definitions can give similar prevalence rates, and vice versa. In addition, other aspects of the surveys, such as the training of enumerators or the use to which interviewees expect the survey to be put, might affect estimated prevalence rates.

The surveys provide little evidence to suggest that youth with disabilities are generally more or less likely to live in richer or poorer households. Adults with disabilities, however, typically live

in poorer households—though much of this association comes from the fact that adults with disabilities have lower educational attainment, which leads to lower economic status.

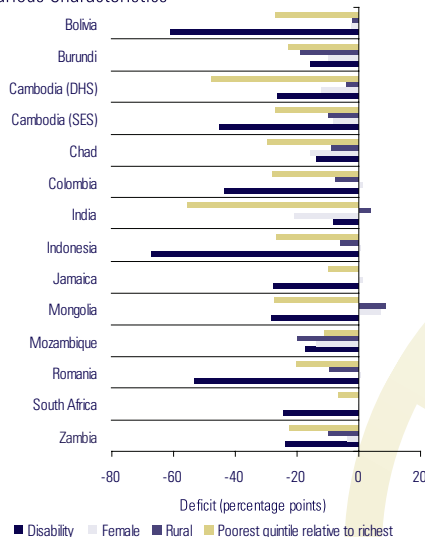
Given this finding, it is particularly worrisome that youth with disabilities are almost always substantially less likely to participate in schooling. Children with disabilities are less likely to start school and in some countries have lower transition rates, resulting in lower schooling attainment. The deficit in school participation associated with disability is typically larger than those associated with other characteristics, such as gender, rural residence, or economic status (figure 1).

This analysis suggests that disability is associated with long-run poverty: children with disabilities are less likely to acquire the human capital that will allow them to earn higher incomes. In all countries the schooling gap between children with a disability and those without one starts at grade 1. That suggests that efforts to boost the enrollment of children with disabilities are needed at the earliest grades. And the finding that the disability deficit widens from grade to grade in countries that have achieved high enrollment among children without a disability suggests that special effort may be needed to keep youth with disabilities in school—once they have started attending—in all countries.

The findings of the analysis should be treated as tentative. The goal was to exploit existing data to help orient policy, but the clearest message is that better data are needed. Establishing clear and consistent measures of disability for household surveys and national censuses would be a start. A recent review suggests that questions focusing on functionality, limited to a core set of activities, and allowing for variation in the degree of functional limitation (rather than simply the presence or absence of a limitation) should be preferred.

Implementing these questions in samples with sufficient observations to allow detailed analysis will be needed to build the quantitative evi-

Figure 1. Deficit in Current Enrollment Associated with Various Characteristics



Note: Deficits shown are the marginal effects of dummy variables for each characteristic in multivariate probit models. Maximum age is 14, in Burundi, DHS is Demographic and Health Survey; SES is Socio-Economic Survey.

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Campaign Contributions and Preferential Access to Finance

● *Stijn Claessens, Erik Feijen, and Luc Laeven*

Preferential access to finance is an important channel for political favors for firms in emerging markets like Brazil

In many countries, especially developing ones, close links between politicians and business are associated with rent-seeking behavior and distortions in the institutional environment. The result: lower and less efficient growth and more unequal distribution of income and wealth.

Evidence of these detrimental effects exists at the very general level, as in the negative relationships between corruption and growth and general development. But empirical evidence on the specific mechanisms and channels through which business gains favors from politicians is by nature more scarce. The lack of such evidence hinders the identification of concrete policy recommendations for remedying the effects.

In a new paper Claessens, Feijen, and Laeven attempt to identify a specific channel by studying the link between campaign contributions and business favors. Studies on the relationship between campaign contributions and policy outcomes have generally been inconclusive because of an inability to distinguish between the matching of politicians' voting dispositions with firms' preferences and politicians' incentives to provide contributors with specific favors. The authors overcome this problem by looking at the relationships between firm-specific campaign contributions, firm valuation, and firm-specific preferential access to finance around the times of the 1998 and 2002 elections in Brazil.

Brazil is well suited for such a study. First, it is one of the few countries that require each candidate to register campaign contributions and justify campaign expenditures. Second, Brazil is known for strong relationships between politicians and firms. Third, given Brazil's level of institu-

tional development and distortions in real and financial markets, political connections are likely to have greater value than in the more developed countries studied to date. And fourth, much of this value could come from preferential access to finance, since Brazil has among the highest interest rates and lowest degrees of financial intermediation in the world.

Claessens, Feijen, and Laeven introduce two methodological improvements over other studies. First, they improve on the relatively rough measures of political connections often used in the non-U.S. literature. Using a novel data set of firm- and candidate-level campaign contributions, they determine whether a connection exists between a specific politician and a specific firm—and, if so, measure the intensity of the connection rather than only indicating its presence. Second, they mitigate the omitted variables problem that plagues the literature by using panel data to exploit the variation over time in political connections.

The authors find that better connected firms (that is, those that give relatively more campaign contributions) have significantly higher stock market returns around the time election results are announced and that the intensity of the connection matters. Contributions to candidates for the federal congress who win the election have an even larger positive impact on stock returns than contributions to candidates who lose the election. This empirical evidence strongly supports the notion that, in an environment with many distortions, political connections can increase firm value.

The authors next investigate whether the channel for the increase in value runs through preferential access to bank finance. They find that for firms that made contributions to (elected) federal deputies, the shares of financing obtained through bank loans increased substantially during

the four years after the election. This suggests that contributing firms increased in value because they gained preferential access to finance from banks.

Claessens, Feijen, and Laeven attempt to quantify the overall cost of extending preferential bank credit to contributing firms. A welfare loss would arise if the rate of return on the investment financed by the credit is lower than that on resources invested elsewhere. They estimate this investment distortion cost by comparing the return on investment generated by contributing firms with that of noncontributing firms. This is a lower-bound measure, since there are likely to be many other costs associated with the investment distortion that the authors do not capture. They estimate the cost to be at least 0.2 percent of GDP a year—a significant amount.

Finance may not be the only channel through which firms benefit from political connections. But the results obtained by the authors support the notion that it is an important one. More generally, their findings provide new evidence on the cost of political connections in emerging markets such as Brazil. This corroborates other evidence that the rents from corruption are particularly large where there are government-imposed distortions, with negative welfare effects. And it implies that the operation of corporations in such environments, including their financing and financial structure, depends on their relationships with politicians.

Stijn Claessens, Erik Feijen, and Luc Laeven. Forthcoming. "Political Connections and Preferential Access to Finance: The Role of Campaign Contributions." Journal of Financial Economics.

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dence base for empirically grounded policies. An important complement to that analysis would be evaluations of the impact of alternative interventions to increase the enrollment of children with disabilities.

Deon Filmer. Forthcoming. "Disability, Poverty, and Schooling in Developing Countries: Results from 14 Household Surveys." World Bank Economic Review.