Does Political Competition Reduce Ethnic Discrimination?

Evidence from the Samurdhi Food Stamp Program in Sri Lanka

Iffath Sharif
Senior Economist
South Asia Social Protection

February 14, 2011
Presentation Structure

• Theoretical framework to motivate the research question

• Sri Lankan context

• Empirical strategy and results

• Policy implications
“Politics of Samurdhi”

• In the run up to the general elections of October 2000 in Sri Lanka, widespread allegations that Samurdhi benefit allocations were politically motivated.

• Sunday Times, July 9, 2000: “The only compulsion allegedly made to the poor who received the Samurdhi is that they should vote for the Chandrika government.”

• Daily News, July 18 and 20, 2000 reported the recruitment and promotion of additional Samurdhi workers “to help with government’s re-election campaign.”
The theory of “Pork barrel” politics

• Vote-maximizing behaviour of politicians influences the allocation of discretionary social assistance

• The optimization problem for an incumbent seeking re-election is to tactically distribute discretionary funds among voters. E.g.,

• Tactical allocation of funds mostly in **swing areas** to maximize the number of total votes (Dixit & Londrgan, 1996)

• More funds allocated to **core support areas** to maximize the probability of winning a majority of seats (Lindbeck and Weibull, 1987)
The theory of “vote pooling”

• In an electoral system with proportional representation politicians may seek to safeguard ethnic minority interests to maximize their national vote.

• Politicians will pander to the interests of ethnic minorities if either of these two conditions hold:
  • ethnic minorities are an important part of party core support base (core voter effect) or
  • political competition is so tight that the party will need minority support to form a coalition (swing voter effect) (Horowitz, 1991; Bogaards, 2001; Wilkinson, 2004):
Main research hypothesis

• Testable implication:
  – Political competition can lessen ethnic discrimination in the allocation of discretionary funds by incumbent governments when ethnic minorities form part of the core and/or swing voter base

• If true, this notion has significant implications for policies on public resource allocation as well as on social inclusion

• We test this hypothesis using 1994 election data and household level data on the allocation of government food stamps in the run up to 2000 elections in Sri Lanka
Ethnic and Political Divisions in Sri Lanka

- Ethnically heterogeneous with the most consequential division between the Sinhalese majority (74%) and the Sri Lankan Tamil minority (13%).

- Other smaller ethnic minorities include the Indian Tamils and Moors, both migrant population from India and Middle East.

- Two main Sinhalese political parties enjoy almost equal support – the United National Party (UNP) and the Sri Lanka Freedom Party (SLFP). Smaller parties represent Tamils and Muslim Moors.

- In 1978 the country adopted a party list system with proportional representation in multi-member constituencies.

- In 1983 Tamil separatist movement began resulting in a three decade long conflict in the North East.
Sri Lankan Elections in 1994 and 2000

• SLFP formed a coalition People’s Alliance (PA) in 1994 and overturned the political dominance of UNP for the previous 17 consecutive years

• **1994 election results**: PA won 105 seats; UNP had 94 seats. PA managed to form a majority government with the help of the Sri Lanka Muslim Congress (SLMC) and an independent.

• **2000 election results**: PA won 107 seats; UNP won 89. PA still managed to form a minority government with the help of other parties

• No political parties represented Sri Lankan Tamil interests in these elections except in the North East where LTTE was the *de facto* government
The Samurdhi Program

• Set up by SLFP government in 1995 as the country’s largest means-tested government transfer program to alleviate poverty

• In 2000, program covered 40% of the population although poverty rate was around 23%

• District-wise allocation of Samurdhi funds is based on poverty

• Within district divisional level allocation somewhat arbitrary allowing scope for political influence
Electoral Incentives for Politicians

• Sri Lankan Parliament consists of 225 members: 196 elected based on popular vote; 29 allocated among parties in proportion to total votes polled

• Incumbent objective to win elections is thus two pronged: (i) maximize the total number of votes; (ii) maximize the probability of winning majority seats

• Tight political competition would imply a plausible 2000 election strategy for the government would involve wooing Tamil votes
Testable Predictions

• Such a tactic should be reflected in the distribution of Samurdhi food stamps in the run up to the 2000 elections if Samurdhi allocations were indeed politically motivated.

• Sri Lankan Tamils living in politically important areas - core incumbent support areas and/or swing areas – would have a relatively higher probability of receiving Samurdhi benefits.
Empirical Strategy

• Voter preferences difficult to observe but distribution of political preferences differs systematically across areas.

• The probability that a randomly selected voter in an electoral district $A$ will have voted for party $X$ is equivalent to the share of the vote for party $X$ in that district $A$ (Deacon and Shapiro, 1975)

• Thus voters in districts in which 50% of the population voted for the incumbent in the previous election are most likely to be swing voters

• Similarly voters in districts that overwhelmingly voted for the incumbent in the previous election can be considered core supporters
Empirical Strategy

- Estimate three simple equation on household participation in Samurdhi:

\[ P_i = ETHNIC_i \psi + V_i \gamma + D\phi + \eta_{id} \]

\[ P_{it} = C_{dt-5} \beta + S_{dt-5} \chi + ETHNIC_{it} \psi + V_{it} \gamma + D\phi + \eta_{idt} \]

\[ P_{it} = ETHNIC*C_{dt-5} \beta + ETHNIC*S_{dt-5} \chi + ETHNIC_{it} \psi + V_{it} \gamma + D\phi + \eta_{idt} \]

\( C_{dt-5} \) measures the “the level of core support” or the percentage of votes received by PA in the general elections of 1994 in division \( d \) (e.g. \( x \))

\( S_{dt-5} \) measures the “swingness” of the division or the absolute value of the difference between the percentage votes received by the PA party in the 1994 general elections and 50 (e.g. \( |x-50| \))
Key econometric concerns

• Reverse causality?
  – Samurdhi set up in 1995 and did not appear to have played any role during 1994 elections

• Exogeneity of political competition variables?
  – Whether swing areas and core PA support areas are different in some way that also affects ethnic relations in those areas?
  – Control for a large set of household and community level variables to minimize omitted variable bias as much as possible
Data


• Analysis excludes the North East due to the conflict

• Sample weights are used to make the residual sample nationally representative by design

• Final sample size 5520, out of which 2215 (40%) received Samurdhi food stamps

• 1994 parliamentary election results data at divisional level merged with SLIS
Ethnic discrimination and political effects on Samurdhi Allocation

• Being a Sri Lankan Tamil reduces the probability of receiving Samurdhi benefits by 18% compared to being Sinhalese

• The magnitude of discrimination highest among Indian Tamils, lowest about Moors

• A higher share of PA votes in a division is associated with a higher probability of participation in Samurdhi

• A 1 percentage point increase in the % of PA vote in a division increases the probability of receiving Samurdhi benefits by 0.5%

• No significant swing voter effect
## Ethnic Discrimination and Political Effects

<table>
<thead>
<tr>
<th>Ethnic dummy variables</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>If a Sinhalese hh, omitted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1, if a Sri Lankan Tamil household</td>
<td>-0.182***</td>
<td>-0.175***</td>
<td>-0.179***</td>
<td>-0.175***</td>
</tr>
<tr>
<td></td>
<td>(0.034)</td>
<td>(0.033)</td>
<td>(0.033)</td>
<td>(0.033)</td>
</tr>
<tr>
<td>1, if an Indian Tamil household</td>
<td>-0.218***</td>
<td>-0.218***</td>
<td>-0.218***</td>
<td>-0.218***</td>
</tr>
<tr>
<td></td>
<td>(0.058)</td>
<td>(0.061)</td>
<td>(0.059)</td>
<td>(0.061)</td>
</tr>
<tr>
<td>1, if a Muslim household</td>
<td>-0.085***</td>
<td>-0.082**</td>
<td>-0.087**</td>
<td>-0.812**</td>
</tr>
<tr>
<td></td>
<td>(0.038)</td>
<td>(0.037)</td>
<td>(0.038)</td>
<td>(0.038)</td>
</tr>
</tbody>
</table>

### Political variables

| % vote for PA in 1994                                      | 0.0045**        |                   | 0.0046**        |                   |
|                                                             | (0.002)         | (0.002)          |                 |                 |
| Abs.Value (% vote for PA – 50)                             | -0.0005         | -0.0018          |                 |                 |
|                                                             | (0.003)         | (0.002)          |                 |                 |

### F-test: political variables (p-value)

| 4.32                                                       | (0.11)          |                 |                 |                 |

| Ethnic diversity index                                     | -0.256***       | -0.233***       | -0.259***       | -0.231***       |
|                                                             | (0.068)         | (0.069)         | (0.068)         | (0.069)         |

### Other household variables

- yes

### Other community variables

- yes

### Province dummies

- yes

### Psuedo R²

- 0.20

### No. of observations

- 5232
Ethno-political effects on Samurdhi Allocation

• Political competition significantly affects the probability of receiving Samurdhi benefits by *Sri Lankan Tamils only*

• A 1% point increase in the “swingness” of a division *increases* the probability of receiving Samurdhi benefits by a Sri Lankan Tamil living in that division by 1.76%

• A 1% point increase in level of support for the incumbent in a division *increases* the probability of receiving Samurdhi benefits by a Sri Lankan Tamil living in that division by 1.3%

• Magnitude of impact of political competition on participation higher for Sri Lankan Tamils than that on average household
Ethno-political effects on Samurdhi Allocation

- Ethnic discrimination effect towards Sri Lankan Tamils diminishes after controlling for interaction with the level of “swingness” but not when controlling for interaction with the level of core support.

- Higher “political returns” to being part of a swing constituency than being part of core support base for Sri Lankan Tamils.

- Sri Lankan Tamils living outside Northeast represent important political blocks for mainstream Sinhalese parties where political competition is tight.
## Ethno-political Effects

### Ethnic dummy variables

*If a Sinhalese household, omitted*

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1, if a Sri Lankan Tamil household</td>
<td>-0.081*</td>
<td>-0.427***</td>
<td>-0.175***</td>
<td>-0.176***</td>
<td>-0.389**</td>
</tr>
<tr>
<td></td>
<td>(0.046)</td>
<td>(0.032)</td>
<td>(0.033)</td>
<td>(0.033)</td>
<td>(0.087)</td>
</tr>
<tr>
<td>1, if an Indian Tamil household</td>
<td>-0.220*</td>
<td>-0.298</td>
<td>-0.209</td>
<td>-0.219***</td>
<td>-0.397</td>
</tr>
<tr>
<td></td>
<td>(0.101)</td>
<td>(0.222)</td>
<td>(0.343)</td>
<td>(0.061)</td>
<td>(0.041)</td>
</tr>
<tr>
<td>1, if a Muslim household</td>
<td>-0.077*</td>
<td>-0.262</td>
<td>-0.081**</td>
<td>-0.201</td>
<td>-0.370</td>
</tr>
<tr>
<td></td>
<td>(0.042)</td>
<td>(0.184)</td>
<td>(0.037)</td>
<td>(0.231)</td>
<td>(0.098)</td>
</tr>
</tbody>
</table>

### Political variables

<table>
<thead>
<tr>
<th>political variable</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% vote for PA in 1994</td>
<td>0.003</td>
<td>0.005**</td>
<td>0.005**</td>
<td>0.003</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
<td></td>
</tr>
<tr>
<td>Abs.Value (% vote for PA – 50)</td>
<td>0.001</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Ethno-Political variables

<table>
<thead>
<tr>
<th>ethno-political variable</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Abs.Value (% vote for PA – 50)]*SL Tamil</td>
<td>-0.017***</td>
<td>-0.006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.008)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[Abs.Value (% vote for PA – 50)]* Indian Tamil</td>
<td>-0.002</td>
<td>0.0139</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.014)</td>
<td>(0.026)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[Abs.Value (% vote for PA – 50)]*Muslim</td>
<td>-0.002</td>
<td>0.008</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.009)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[% vote for PA in 1994]*SL Tamil</td>
<td>0.013***</td>
<td>0.010*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.006)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[% vote for PA in 1994]*Indian Tamil</td>
<td>0.003</td>
<td>-0.0003</td>
<td>0.0137</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.011)</td>
<td>(0.011)</td>
<td>(0.019)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>[% vote for PA in 1994]*Muslim</td>
<td>0.004</td>
<td>0.0029</td>
<td>0.009</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.006)</td>
<td>(0.007)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethnic diversity index</td>
<td>-0.276***</td>
<td>-0.249***</td>
<td>-0.231***</td>
<td>-0.231***</td>
<td>-0.256***</td>
</tr>
<tr>
<td></td>
<td>(0.067)</td>
<td>(0.068)</td>
<td>(0.069)</td>
<td>(0.069)</td>
<td>(0.068)</td>
</tr>
</tbody>
</table>

### Other household variables

- yes

### Other Community variables

- yes

### Province dummies

- yes

### Psuedo $R^2$

- 0.20

### No. of observations

- 5232
Policy Implications

• **Public resource allocation** - important to have mediating political institutions that offer political clout to the socially and economically disadvantaged to gain greater access to public resources

• **Design of social protection interventions** - political economy analysis crucial to ensure targeting errors motivated by political objectives are minimal
Epilogue

• Samurdhi has undergone significant changes since 2000

• The program budget has been drastically cut from 1% of GDP in 2000 to 0.19% of GDP in 2009

• The targeting strategy is being revised to make it more objective and transparent with clear eligibility rules

• Such reforms have been possible due to the political space generated by the lack of an influential patron – “Samurdhi is an old hat”! 
For more details: