

Aid and Political Attitudes: Micro-Level Evidence from Pakistan

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Abstract: This paper studies how household-level receipts of aid, in the form of cash transfers, affects a range of political attitudes in Pakistan. The paper finds that a cash transfer program (the flagship Benazir Income Support Program) has improved attitudes towards national and the US donor government. This effect is present when the program has been in place for over two years. There is no evidence of short-term impacts of the cash transfers on political attitudes. The paper discusses what potential mechanisms may explain this result and finds no evidence for changes in attitudes being associated with improvements in 'nation-building', increases in trust in state institutions or perceptions of security. We conclude that aid in Pakistan has affected overall perceptions about the government and the USA without any visible changes in the strength of the social contract between citizens and the state.

1. Introduction

Many have argued that in settings marked by high levels of violence and poverty aid programmes can be used to ‘win hearts and minds’, ensuring that populations are more sympathetic to governments, share information and intelligence, and thus increase the state’s ability to crack down on rebel groups (Berman et al. 2011, Khanna and Zimmermann 2014). Aid may also be used to reduce the likelihood of future violent conflict when it is used to address inequalities between and grievances among social groups or different communities, which may cause resentment, animosity and violent contestation (Stewart 2008). From a microeconomics perspective, increasing the returns to peaceful activities, through redistribution or otherwise, may also increase the opportunity costs of taking up arms (Collier and Hoeffler 2004, Dube and Vargas 2013, Miguel et al. 2004). Redistribution through aid may therefore be viewed as an effective means to quell violent upheaval and rebellion.

Some empirical evidence has supported these theoretical premises. At the country level, Nielsen et al. (2011) find that reductions in aid receipts lead to increases in conflict in recipient countries, arguing that aid can play a stabilizing role in war-torn countries. Crost, Felter and Johnson (2016) show that a conditional cash transfer program implemented in the Philippines led to a reduction in violent events during the first nine months of the program in villages where the program was implemented. Berman et al. (2011) find that increased spending through the US Commanders’ Emergency Response Program (CERP),¹ when combined with increased troop strength, led to reduced violence in Iraq because it improve the ability of the government to obtain valuable information about opposing factions. A similar result is reported by Khanna and Zimmermann (2014), who analyze the impact of the Indian National Rural Employment Guarantee Scheme (NREGS) on the incidence of violence by Maoist insurgents. Similar to the Iraq study, this paper shows that the NREGS led to reductions in violence in areas where the program was implemented as civilians started providing more information to the state, thereby helping to improve the efficiency of the state police against the insurgents. Iyengar, Monten and Hanson (2011), using also the case study of the CERP in Iraq, find that when the same funding is used on labor-intensive projects violence is reduced because legal labor markets provide an alternative to insurgent activity. These results are in line with related literature on the effect of government transfers and welfare spending on the reduction of political violence and civil unrest (Thyne 2006, Taydas and Peksen 2012, Justino 2015, Justino and Martorano 2016).

However, a number of recent studies have casted doubts on the universality of these results. Beath et al. (2012) find that the National Solidarity Program in Afghanistan was able to create a favourable attitude among beneficiaries regarding their economic wellbeing, and towards the government, but did not have any discernible impact on violence.² In contrast, Nunn and Qian

¹ This was a program rolled out as part of the US counterinsurgency operations for urgent humanitarian relief and rehabilitation in Iraq.

² The National Solidarity Program in Afghanistan is an internationally-funded community-driven development program that sought to foster local collective action and inclusive community participation in decision-making regarding local development and security projects.

(2014) find that US food aid led to increases in the incidence and duration of civil conflict in recipient countries. Dube and Naidu (2010) report a negative effect of US military aid on violent conflict in Colombia, and Crost, Felter and Johnston (2014) find that the KALAHÍ-CIDSSS programme in the Philippines led to increases in civil violence.³

These negative effects of aid on conflict are driven by particular local conflict dynamics. First, violence tends to persist in many conflict contexts, even in the aftermath of the conflict, as different political actors compete for local political control. There is, therefore, a risk that aid flows may perpetuate such forms of contestation when different actors make use of them to advance their own political objectives (Justino 2013, 2016). Second, 'winning hearts and minds' is dependent on changes in social attitudes and norms. In deeply divided and insecure societies, it is possible that aid flows have no effect on individual attitudes. Most of the studies cited above exploit spatial variation in the allocation of aid to identify its effects on the occurrence and intensity of violent conflict. However, few studies explore the link between *household or individual level* aid receipts and household and individual attitudes. This is a significant gap as the avowed foreign policy aim of many governments, internationally, is to 'win hearts and minds', by using aid to alter people's attitudes. For instance, Andrabi and Das (2017) find that exposure to foreign aid workers in the aftermath of the 2005 earthquake in Pakistan significantly increased positive attitudes towards foreigners, particularly trust, among local populations. However, there is little evidence on how aid can affect the political attitudes of their recipients, which may often be important (albeit implicit) political goals that international aid programmes seek to achieve. In addition, while aid and stabilisation programmes may often seek explicitly to reduce the occurrence of violence, it is also important to remember that attitudes in favour of extremism and violence may lead to the recurrence of violent conflict in the future, even if levels of violence are low in the present. As such, political attitudes are important factors to consider by themselves, and as distinct from the manifestation of violence alone.

This paper aims to study how household-level receipts of aid, in the form of cash transfers, affects a range of political attitudes in Pakistan. The paper addresses two key questions: Can cash transfer programmes result in favourable attitudes towards national and donor governments in a conflict-affected country? And, can such impact be achieved in areas more prone to violence and radicalization?

A body of research has studied the effects of cash transfers and other forms of government social spending on political attitudes. Manacorda, Miguel and Vigorito (2011) show a causal positive relationship between being a beneficiary of the *PANES* cash transfer programme implemented in Uruguay between 2005 and 2007 and expressing support towards the incumbent government in elections. Similar results are reported in Baez et al. (2012) for Colombia, Zucco (2013) for Brazil, Linos (2013) for Honduras, and De La O (2013) for Mexico.⁴ As a result of these findings in peaceful contexts, conditional cash transfer programs have been promoted in policy circles as a

³ The KALAHÍ-CIDSSS program is a community-driven development aimed at restoring basic social services and rebuild communities after Typhoon Yolanda (Haiyan) in the Philippines.

⁴ The results for Mexico are, however, challenged in Imai et al. (2016).

way of ‘winning hearts and minds’ and strengthening the legitimacy of state institutions among citizens living in conflict-affected countries (UNHCR 2012).

However, there has been almost no research on the effects of these policy interventions on political attitudes in these settings. One exception is the study by Blattman, Jamison and Sheridan (2017), who report a positive effect of cash payments on crime and violence among criminally-engaged young men in Liberia. This paper advances this literature by providing evidence on the effect of a large cash transfer implemented in Pakistan – the Benazir Income Support Program (BISP) – on attitudes towards national and donor governments, both in areas where the state has been able to provide higher levels of security, and in areas perceived to be vulnerable to the control of insurgent groups. We expect that turning attention to this relationship can potentially identify the extent to which external aid can (or not) be used to affect the support for extremist and militant groups that pose a threat to local and global security, and provide evidence for whether and how much financial resources can be spent for securing peace and stability.

The paper is organized as follows. Section 2 outlines briefly the political context in Pakistan, the events that led to the implementation of the Benazir Income Support Program and the data that will be used in the paper to analyze the questions above. Section 3 discusses the empirical methodology followed in the analysis and the main identification strategy. Section 4 present the main results, shows their validity across a number of robustness tests, and provides further evidence on important heterogeneous effects of the program. Section 5 concludes the paper.

2. Context and Data

Pakistan offers the ideal context in which to address the two questions above. Since the early 2010s Pakistan has remained at the centre of global security and development concerns, marked by very high levels of violence, in large part due to the confrontation between Islamist militant groups affiliated with the Tehrik-e-Taliban Pakistan (TTP, or Pakistani Taliban), and the Pakistani State. Pakistan’s return of democratic rule in the 2008 with victory of the Pakistan People’s Party (PPP) saw a focused effort by the PPP to leave their mark, most visibly by launching the Benazir Income Support Program (BISP), named after its former leader Benazir Bhutto who had been assassinated just before the elections. The program has three explicit aims: to eradicate extreme poverty, to empower women, and to achieve universal primary education (Ambler and de Brauw 2017). While nation-building or conflict-reduction was never stated as a direct or explicit aim of the BISP, the program was expected to serve as a means of redressing alienation and the potential for future conflict – as outlined in official sources. For instance, GoP (2010, pp. 145) states: “Conflict in NWFP [North-West Frontier Province, now Khyber Pakhtunkhwa], FATA and Balochistan has severely challenged the ability of the state as well as the legitimacy of the idea of a functioning state in Pakistan. Social protection must be part of the strategy to reclaim the space and legitimacy for the state in Pakistan, through protection to the basic entitlements of people in the conflict-affected areas [...]. Expanded social protection programs, particularly directed at the conflict-affected areas are essential to protect innocent victims of conflict, and to regain legitimacy

for the idea of a functioning state through creating, expanding and ensuring the delivery of citizenship-based entitlements.”

The BISP is administered by the Government of Pakistan with technical and financial support from international donors including USAID and the World Bank. The implementation of this large donor-funded aid program at a time of violent conflict across several parts of Pakistan provides a setting to study how aid programmes may affect political attitudes. Payments amounting to PKR 1,000 per month were made to women beneficiaries in eligible households in quarterly intervals. For the full sample, the BISP monthly transfer represented 5.9% of total household expenditure; for recipient households it was 6.3%. Since 2011, eligibility for the BISP was determined by a proxy means test-based poverty score.

The data we used to analyse these questions is the Pakistan Rural Household Panel Survey (RHPS) collected by the International Food Policy Research Institute (2016).⁵ This is a household survey dataset comprising two rounds, collected in 2012 and 2013, and covering 1873 households across three of Pakistan’s four main provinces. In each household, one male and one female respondent were interviewed. In addition to standard socio-economic modules on income, occupation, demographics, education, wealth and expenditure, the second round of the survey contained data on the receipt of social protection and aid programmes (including on the BISP), and a detailed module on political attitudes. This allows us to examine the effect of the receipt of aid on political attitudes, after suitably controlling for household and individual socio-economic characteristics.

We measure political attitudes along three distinct dimensions. The first is attitudes towards the government of Pakistan. This includes the overall government, as well as the military, which plays a significant role in Pakistani politics. The second is on attitudes towards the relationship between government transfers and extremism. If the objective of the cash transfer program is indeed to win hearts and minds, we would therefore expect to see an increased understanding of the political role of these programs. Finally, we measure also the effect of the program on attitudes towards the US donor government. As mentioned above, the BISP was funded by donors including the World Bank, USAID and DfID.

Table 1 lists the specific questions from the survey that form our main dependent variables, as well as sample means for each variable. The table shows that recipients of the program are generally more satisfied with the government (36.3 per cent versus 29 per cent among non-recipients). They are also more supportive of the government of Pakistan’s relations with the United States: almost 35 per cent think that the relationship between the US and Pakistan is good for Pakistan, in comparison with almost 29 per cent among non-recipients of BISP. Attitudes towards the United States (the donor government) are also more positive among recipient of the program. There are, however, no substantial differences in attitudes between recipients and non-

⁵ This dataset has been used in several academic papers including Ambler and de Brauw (2017), Healy et al. (2017) and Kosec and Mo (2017).

recipients with respect to the military, or whether government programs affect extremist groups. Similar results were observed when restricting the sample to the middle 50 percent (which will be done and explained later in the empirical analysis).

Table 1. Main dependent variables

Question		Full Sample			
		All	Non-recipient	Recipient	Diff
What is your overall level of satisfaction with the government?	1 = satisfied	30.31%	29.20%	36.33%	7.14%
What is your overall level of satisfaction with the military?	1 = satisfied	82.43%	82.56%	81.73%	-0.83%
To what extent do you agree with the statement: "If the Pakistani government created a new program to improve access to schools and health facilities, extremist groups would have less support"?	1 = Agree	58.17%	58.06%	58.76%	0.70%
Is the relationship between the U.S. and Pakistan good for Pakistan? (1-5, where 5 = very much, 1=not at all)	1 = Good	29.67%	28.76%	34.59%	5.83%
Please tell me if you have a very favorable (5), somewhat favorable (4), neither favorable nor unfavorable (3), somewhat unfavorable (2), or very unfavorable (1) opinion of the U.S. government.	1 = Favourable	30.78%	29.39%	38.30%	8.91%
N		3907	3335	572	

Question		Middle 50 %			
		All	Non-recipient	Recipient	Diff
What is your overall level of satisfaction with the government?	1 = satisfied	29.82%	29.27%	33.39%	4.12%
What is your overall level of satisfaction with the military?	1 = satisfied	82.65%	83.04%	80.09%	-2.95%
To what extent do you agree with the statement: "If the Pakistani government created a new program to improve access to schools and health facilities, extremist groups would have less support"?	1 = Agree	58.83%	58.68%	59.82%	1.14%
Is the relationship between the U.S. and Pakistan good for Pakistan? (1-5, where 5 = very much, 1=not at all)	1 = Good	30.16%	28.78%	39.19%	10.42%
Please tell me if you have a very favorable (5), somewhat favorable (4), neither favorable nor unfavorable (3), somewhat unfavorable (2), or very unfavorable (1) opinion of the U.S. government.	1 = Favourable	30.25%	29.04%	38.14%	9.10%
N		2126	1850	276	

Source: Authors' calculations based on RHPS – Round 2 data.

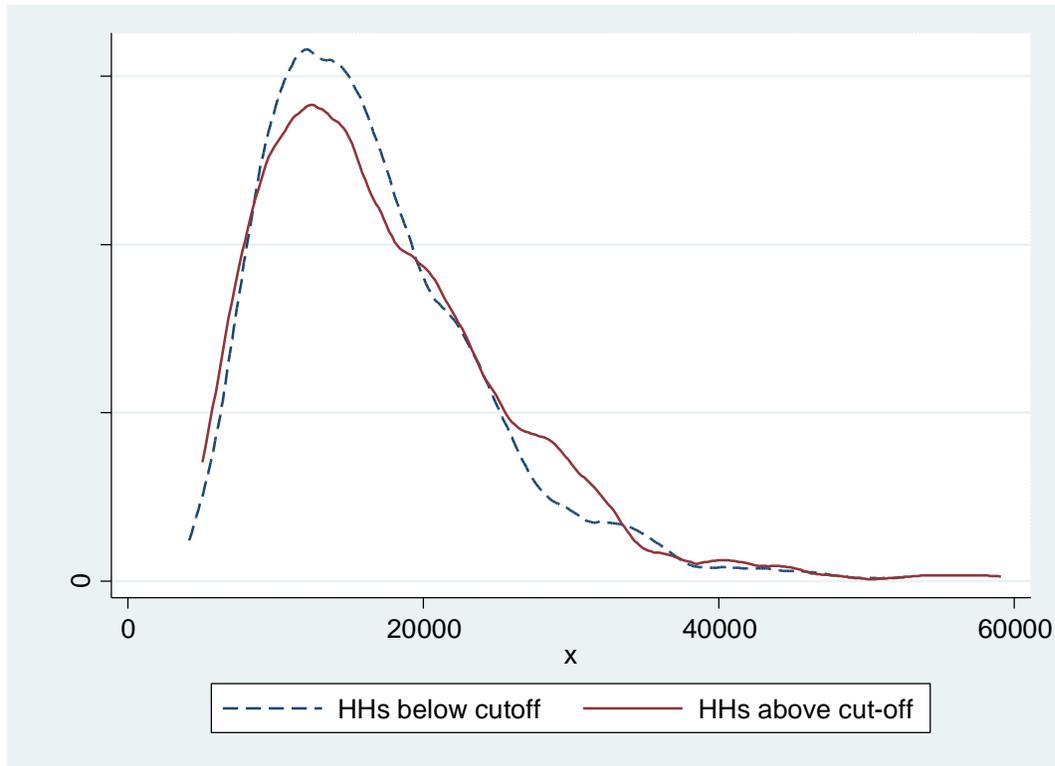
3. Empirical methodology and identification strategy

Establishing a causal relationship between cash transfers and political attitudes using household-level data is not a straightforward exercise. This is because a simple OLS association between BISP receipts and household political attitudes may be biased, as aid may selectively reach households or communities that are better disposed towards the government. Alternatively, BISP receipts can be selectively targeted to areas where support for government is known to be low. In order to address these endogeneity concerns, we exploit the eligibility criteria of BISP based on a poverty scorecard – a proxy-means test for household economic well-being. This poverty score is calculated by the Poverty Census conducted in 2008-09 by the BISP, which was used to establish eligibility criteria and target relevant households. Households benefited from the program if they were below the strict cut-off of a score of 16.17. Those above this cut-off threshold were not deemed eligible for the transfers. This sharp change in the likelihood of program receipt at an arbitrary cut-off of 16.17 lends itself to a regression discontinuity design-based evaluation of the causal effects of the program, since households that lay just above the locally random cut-off, and therefore were ineligible to receive BISP transfers, can serve as a good control group for households just below and that were eligible to receive the transfers.

We have been, however, unable to directly observe the actual scores assigned to households through the poverty census conducted for the BISP in 2008-09. As a next best alternative, we reconstructed the poverty score based on survey data collected in 2013 (during the second round of the RHPS) using the same formula for the poverty score as was used in the 2008-09 Poverty Census of the BISP.⁶ We then use the predicted eligibility status using the reconstructed score as an instrumental variable for actual program receipts in the vicinity of the cut-off of the poverty score that determines eligibility. As Figure 1 below shows, households below and above the cut-off score (16.17) have very similar distribution of monthly household consumption expenditure.

⁶ The formula used by BISP for generating the poverty score was provided to the authors by the World Bank. Poverty scores were replicated using the same formula (its constituent indicators and associated weights), applying it to household survey data collected in 2013.

Figure 1. Kernel density of total monthly household expenditure (in PKR) for households in middle 50% of the BISP score distribution (between values 6 and 27)



Note: Eligibility cut-off value is 16.17.

The indicators used in the construction of the poverty score card comprise determinants of chronic poverty such as land and asset ownership, the number of dependents in the household, education levels of the head of the household, children’s school attendance status, and room ratio and toilet access in the dwelling. This is important because targeting a long term poverty alleviation program using proxy-means tests requires a clear identification of the chronic, rather than the transient poor – so these indicators are expected to continue to predict poverty status much after the period in which the poverty census survey was conducted. In other words, we assume that household poverty scores in 2011 are strongly and positively correlated with scores in 2013.

Conceptually, the predicted eligibility for the BISP based on the poverty score computed using 2013 data should satisfy the requirements of a good IV for programme eligibility in 2009 under the following assumptions, which we argue are reasonably likely:

- i. Predicted eligibility based on scores calculated using 2013 survey data is strongly (positively) correlated with actual eligibility determined by (the unobserved) poverty scores using 2008-09 data.

- ii. In the vicinity of the cut-off score, predicted eligibility in 2013 affects political attitudes of households in 2013 only through the actual receipts of the BISP transfer – which is our causal channel of interest (the exclusion restriction).

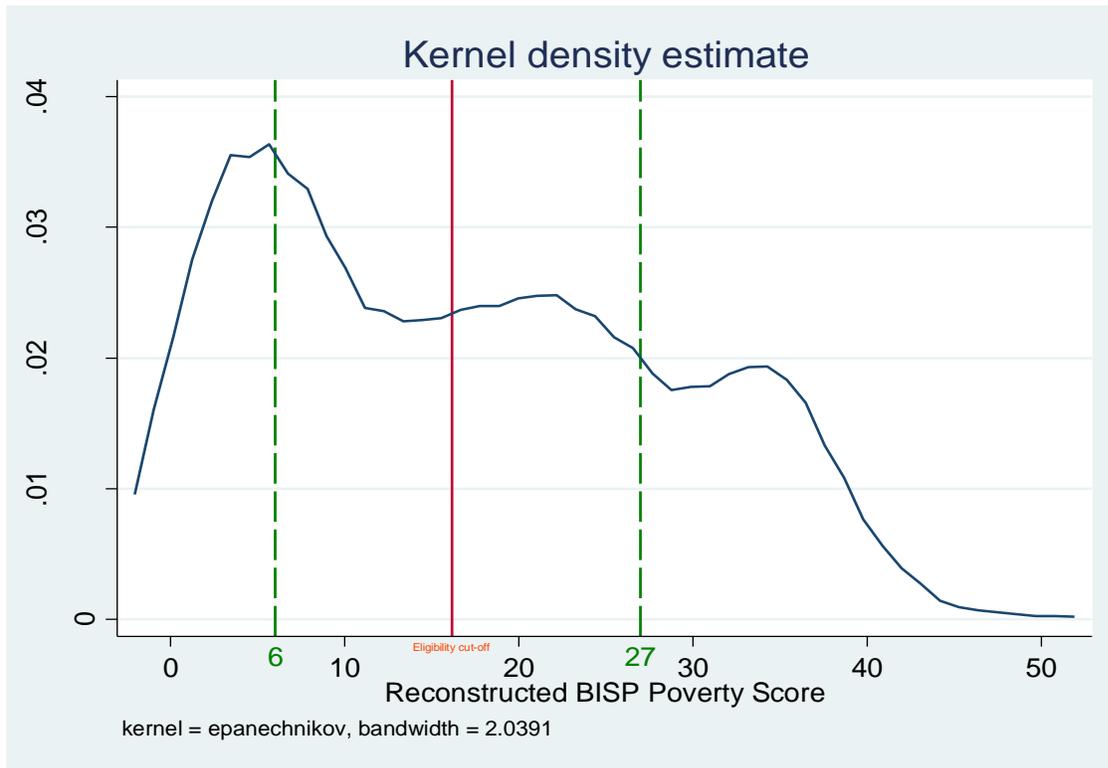
Condition (i) above may not hold if poverty status between 2011 and 2013 changes as a result of the BISP programme – such that households that were poor in the past are no longer so because of the program. Prima facie this may not seem an unreasonable outcome of an income support program. However, as we argue above, the BISP scorecard focuses on identifying the chronic poor – whose long term poverty status is not expected to change drastically in response to the income support received from BISP. This is reflected in the indicators used to construct the poverty scorecard (correlates of long-term economic wellbeing) and further strengthened by the fact that between 2008-9 and 2013 the program did not undertake any recertification or re-validation of beneficiary status because of any expected upheavals in the composition of the chronic poor.⁷ We therefore expect that condition (i) for the validity of the IV is sufficiently robust.

The salience of condition (ii) is relatively more straightforward. While household wealth or poverty can be directly correlated with political attitudes and support for government (Gelman et al. 2008, Bartels 2009), in our formulation poverty status (and the implied program eligibility) is established not by the direct extent of household poverty measured along a continuum, but by whether the household's poverty status falls above or below an arbitrarily set cut-off of the poverty score. The locally arbitrary nature of the eligibility threshold therefore satisfies the exclusion restriction requirement of the IV. In other words, *in the vicinity of the poverty score cut-off* used to determine eligibility, the predicted eligibility is treated as randomly assigned, allowing an estimation of the causal effects of BISP receipts on respondent attitudes. Since predicted eligibility varies from actual eligibility due to time lapse since the BISP poverty census, or due to random error in either the BISP poverty census, the PRHS survey, or both, we use predicted eligibility as an instrument for actual eligibility observed as the receipt of BISP transfers at the household level. To enforce the validity of the IV in the vicinity of the cut-off score, we restrict analysis to respondents whose household poverty score lay in the middle 50% of the poverty score distribution i.e. between the values 6 and 27, as shown in Figure 2 below.⁸

⁷ In fact, the first recertification of beneficiaries after the 2008-09 poverty census is expected to be conducted in 2018, almost a decade after the initial beneficiary list was drawn up.

⁸ A limited sample size prevents us from choosing a narrower band.

Figure 2. Kernel density of reconstructed BISP poverty score



The causal relationship of interest is expressed as:

$$Y_{ij} = \alpha + \beta_1 BISP_j + \varepsilon_{ij}, \quad \dots (1)$$

where Y is the dependent variable for individual i in household j . This is a dummy variable with value one for a favourable attitude towards the national or donor government in response to one of the attitude questions outlined in Table 1. $BISP$ is a dummy variable for household j that received the BISP transfer. Since the poverty score computed is a complex combination of several household and individual characteristics, we expressly exclude controls from the estimation of (1) to avoid multicollinearity. However, as a robustness test, we later show that the main results are robust to the inclusion of a set of controls.

We discussed above how BISP receipts may be endogenous to political attitudes because transfers may be targeted to reward those with favourable, or win over those with unfavourable, attitudes towards the national government or the donor country. Therefore, we exploit the predicted enrolment in the BISP along the arbitrary eligibility threshold of 16.17 in the poverty score as an instrumental variable for actual programme receipt in the vicinity of the cut-off score estimates causal effects. The IV framework follows a standard two-stage procedure. The IV first-stage equation is as follows:

$$BISP_j = \alpha + \gamma_1 ELIG_{2013j} + u_{ij}, \quad \dots (2)$$

where $ELIG_{2013}$ is a dummy variable for a household deemed to be eligible to receive BISP based on the poverty score calculated using 2013 survey lying below the arbitrary cut-off of 16.17.

The IV second stage equation below estimates β_1' , the instrumented (and therefore causal) effect of BISP receipt on individual attitudes:

$$Y_{ij} = \alpha + \beta_1' \widehat{BISP}_j + \varepsilon'_{ij}. \quad \dots (3)$$

4. Empirical findings

Do BISP transfers affect household attitudes in favour of national and donor governments? We first examine results from simple probit estimates of the effect of BISP receipts on attitudes towards national and donor (US) government. In order to ensure comparability with subsequent results from IV analysis, we restrict the probit analysis also to the middle 50% distribution of the BISP poverty score. The main results of this analysis are presented in Table 2 below. We find that BISP receipts are correlated with higher levels of satisfaction with the national government, viewing the US-Pakistan relationship as good for Pakistan, and a favourable opinion of the US government. However, there is no significant association between BISP receipts and attitudes towards the importance of living in a democracy, satisfaction with the military, and improving health and education facilities as a means of reducing support for extremist groups.

Table 2. BISP receipt and attitudes to national and US government: probit estimates

	Overall Satisfaction with govt 1 = satisfied	Overall Satisfaction with military 1 = satisfied	Important to live in a democracy 1 = Important	If govt improved health/ education facilities, extremist groups would have less support 1 = Agree	Relationship b/w US and Pakistan good for Pakistan 1 = Yes	Opinion of US Govt. 1 = favourable
BISP recipient = 1	0.054*	-0.005	0.015	0.031	0.095**	0.071**
	(1.70)	(-0.18)	(0.43)	(0.84)	(2.46)	(2.20)
N	2126	2126	2126	2126	2126	2126

Notes: Marginal effects; *t* statistics in parentheses. (d) for discrete change of dummy variable from 0 to 1. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

These results indicate simple correlations between BISP receipts and political attitudes, which are not likely to be the causal estimates due to the considerable endogeneity of cash transfer receipts

and political attitudes due to, among other factors, selective targeting and take-up, as discussed above. We present below causal estimates of BISP impact using an IV probit estimation. Table 3 shows the first stage estimates. These results indicate a positive and significant association between predicted program receipts and actual program receipts, as expected. The F-stat value of 16.58 also suggests the absence of weak instruments.

Table 3. IV first stage estimation: actual BISP receipt

	Coefficient
Predicted BISP receipt (1 = predicted eligible)	0.059***
Constant	0.099***
N	2,126
Adj. R-squared	0.0073
Cragg-Donald Wald F –stat	16.58

Notes: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table 4. BISP receipt and attitudes to national and US government: IV probit estimates; second stage results

	Overall Satisfaction with govt 1 = satisfied	Overall satisfaction with military 1 = satisfied	Important to live in a democracy 1 = Important	If govt improved health/ education facilities, extremist groups would have less support 1 = agree	Relationship b/w US and Pakistan good for Pakistan 1 = Yes	Opinion of US govt. 1 = favourable
BISP recipient = 1	1.859***	-1.040	0.109	0.028	1.891***	1.671***
	(3.27)	(-1.11)	(0.11)	(0.03)	(3.29)	(2.58)
N	2126	2126	2126	2126	2126	2126

Notes: Marginal effects; t statistics in parentheses. (d) for discrete change of dummy variable from 0 to 1. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table 4 shows that the receipt of the BISP transfer results in a significantly higher likelihood of respondents expressing greater satisfaction with the national government, having a favourable view of the US-Pakistan relationship from Pakistan’s standpoint, and having a favourable view of the US government. No significant effects are observed on attitudes towards the military, living in a democracy and the role of improving service delivery for quelling extremism.

What explains these results? First, a large literature has argued that welfare programmes may

reflect wider state capacity to govern and rule (for instance, Acemoglu and Robinson 2006). Cash transfers in Pakistan may therefore have led to improvements attitudes towards the government and its development partners because they are perceived to proxy for improvements in state-building and state capacity that may result in better living conditions. In the particular case of conflict-affected countries, this may include better security. Second, cash transfers may lead to improved attitudes towards the state and its aid partners when associated with increased trust towards state institutions. This hypothesis is supported by a body of literature showing that income transfers by governments may indicate the commitment of the government towards upholding the social contract (Acemoglu and Robinson 2000, 2006, North and Weingast 1989), which in turn may lead to increased trust in the state and its governing institutions (Besley and Persson 2009). We analyse also whether the effects we observe are affected by the timing and duration of the program.

State-building. According to the Government of Pakistan’s own assertions, social protection in Pakistan is meant to simultaneously fulfil human development and nation building objectives. The Planning Commission of Pakistan called upon the government to focus efforts to extend social protection programs, including the BISP, in districts with poorer development indicators – deemed to render them vulnerable to radicalization (GoP 2010, pp. 211).⁹ Districts in Punjab and Sindh provinces with lagging development indicators were described as “breeding grounds of alienation and conflict” and should therefore “... be designated as Nation-Building Regions of Pakistan, which must receive priority support in social protection programmes and policies” (GoP 2010, pp. 145). This stated prioritization of lagging regions for social protection programmes, including the BISP is an important potential source of heterogeneous program impacts. On the one hand, intensifying cash transfers for nation-building in lagging districts could in fact achieve a higher level of political support for national and donor governments as it signals a positive effort on part of the latter. On the other hand, the prevailing conditions in such areas may make it harder to achieve such goals because of long-standing alienation and suspicion of the state. We examine below which of these two possible factors may be at play, by examining the differentiated impact of the BISP on attitudes towards the Pakistani and the US governments in the deemed ‘nation-building’ districts and other districts.

Table 5. BISP receipt and attitudes to national and US government: IV probit estimates for nation-building districts deemed “at-risk” of radicalisation

Overall Satisfaction with govt	Overall Satisfaction with military	Important to live in a democracy	If govt improved health/ education facilities, extremist groups would have less support	Relationship b/w US and Pakistan good for Pakistan	Opinion of US Govt.
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⁹ No clear analysis underlies this stated association between lagging development and radicalization. It appears that treating lagging regions of Punjab and Sindh as being at the risk of radicalization, more so than more prosperous areas may be an unfounded assumption: the links between underdevelopment, chronic poverty and radicalization are not straightforward or even fully understood (Krueger 2007).

	1 = satisfied	1 = satisfied	1 = Important	1 = Agree	1 = Yes	1 = favourable
BISP recipient = 1	-0.035	-1.655**	-0.305	0.525	0.984	0.586
	(-0.02)	(-2.13)	(-0.22)	(0.42)	(0.81)	(0.44)
N	715	715	715	715	715	715

Notes: Marginal effects; *t* statistics in parentheses. (d) for discrete change of dummy variable from 0 to 1. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table 6. BISP receipt and attitudes to National and US government: IV probit estimates for other (not “nation-building”) districts

	Overall Satisfaction with Govt	Overall Satisfaction with military	Important to live in a democracy	If Govt improved health/ education facilities, extremist groups would have less support	Relationship b/w US and Pakistan good for Pakistan	Opinion of US Govt.
	1 = satisfied	1 = satisfied	1 = Important	1 = Agree	1 = Yes	1 = favourable
BISP recipient = 1	2.668***	-0.484	0.400	-0.314	2.425***	2.275***
	(5.13)	(-0.33)	(0.30)	(-0.25)	(3.67)	(3.12)
N	1411	1411	1411	1411	1411	1411

Notes: Marginal effects; *t* statistics in parentheses. (d) for discrete change of dummy variable from 0 to 1. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Tables 5 and 6 show that the positive effects of BISP on attitudes towards the Pakistani and US governments that were observed in Table 3 are driven not by the ‘nation-building’ districts, but by other districts – which are relatively more prosperous, and according to the assumptions implied in GoP (2010), less vulnerable to radicalization. This is significant as it shows that the effects of the cash transfer in creating a positive outlook among the people towards the Pakistani and US national governments, and towards the US-Pakistan relationship is driven by the relatively more prosperous areas. In the lagging areas, the program does not appear to have had any effect. Interestingly, in the lagging areas, BISP receipt is shown to reduce support for the military – and effect which is not seen in the non-lagging areas separately, or in the sample as a whole.

While the government’s assertions in the motivation for designating ‘nation-building’ districts indicate a clear aim to link social protection with political aims including quelling alienation and fostering support for itself, the implied direct link between lagging development and extremism is somewhat tenuous. Underdevelopment has several implications for the successful

implementation of cash transfer programs and their ability to influence people’s attitudes towards governments – beyond any possible links it may have with extremism and state-building objectives. A designated ‘nation-building’ district may in fact display several other characteristics due to which it may be harder for programmes in such areas to achieve changes in political attitudes among recipients – such as low state presence and capacity, greater insularity and long-standing neglect making these areas less responsive (or slower to respond) to government outreach.

Perceptions of security. Even if the cash transfers do not reflect stronger state capacity, could it still indicate better security provision? We examine below whether the effects observed in Table 3 are driven by respondents who (a) expressed feeling unsafe at either a within-community or outside-community destination, or during social and religious events, (b) respondents who self-report being afraid of criminal or conflict-related events. We find that effects observed in table 3 are stronger for respondents who report feeling unsafe at one or many locations within or outside their community (Table 7).

Table 7. IV Results – Effects of BISP on attitudes to national and government across respondents who self-report as feeling unsafe

	Overall Satisfaction with Govt		Relationship b/w US and Pakistan good for Pakistan		Opinion of US Govt.	
	1 = Satisfied		1 = Yes		1 = favourable	
	Respondent self-reported as Unsafe	Respondent self-reported as Safe	Respondent self-reported as Unsafe	Respondent self-reported as Safe	Respondent self-reported as Unsafe	Respondent self-reported as Safe
BISP recipient = 1	2.102***	1.750**	2.046**	1.869**	1.961**	1.529
	(2.84)	(2.03)	(2.52)	(2.29)	(2.42)	(1.52)
N	744	1381	744	1381	744	1381

Notes: Marginal effects; *t* statistics in parentheses. (d) for discrete change of dummy variable from 0 to 1. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Trust in state institutions. Finally, we analyse whether the effects of the program on overall assessments of the government, the US and US-Pakistan relations are linked to changed attitudes towards underlying institutions that constitute the citizen-state relationship on a day-to-day basis. This analysis is shown in Table 8 and includes trust in security provision, trust in police, perceptions about law and order, influence of the government in community affairs, land disputes and security, and influence of the police (one of the most visible arms of the state) on solving land disputes and addressing security concerns. Overall, we find no positive effects of BISP receipts on strengthened trust in the underlying state institutions. In fact, somewhat puzzlingly, BISP recipients are less likely to repose faith in government institutions for solving land disputes and addressing security concerns in the community.

Table 8. IV Results: Underlying Institutions

	Satisfaction with govt to provide security for community	Satisfaction with police in community	Govt should make decisions on law and order	Govt should make decisions on community affairs	Govt will be helpful for solving land disputes	Govt will be helpful for addressing security concerns	Police will be helpful for solving land disputes	Police will be helpful for addressing security concerns
	1 = Satisfied	1 = Satisfied	1 = Yes	1 = Yes	1 = Yes	1 = Yes	1 = Yes	1 = Yes
BISP recipient = 1	-0.085	-0.001	1.084	0.883	-1.817***	-1.613**	-0.115	-1.351*
	(-0.09)	(-0.00)	(1.22)	(1.02)	(-2.99)	(-2.38)	(-0.12)	(-1.73)
N	2126	2126	2125	2125	2126	2126	2126	2126

Notes: Marginal effects; *t* statistics in parentheses. (d) for discrete change of dummy variable from 0 to 1. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Duration of exposure to BISP. Do the effects of BISP on attitudes towards the national and donor governments depend on the duration of exposure to the programme? We analyse differences in impact across communities where BISP was present before 2011 and those where it was introduced in or after 2011 (Table 9).¹⁰ We see that the effects observed in Table 3 are in fact driven by respondents in communities where the program has been present for more than two years before the 2013 survey. This indicates that effects of the aid program on attitudes towards national and donor governments are effected only after substantial and continued exposure to programs. Short term exposure (in this case of less than 2 years) does not achieve similar results.

Table 9. Impact of BISP on attitudes to national and donor governments – by duration of exposure to BISP

	Overall satisfaction with govt		Relationship b/w US and Pakistan good for Pakistan		Opinion of US govt.	
	1 = Satisfied		1 = Yes		1 = favourable	
	BISP present before 2011	BISP present since 2011	BISP present before 2011	BISP present since 2011	BISP present before 2011	BISP present since 2011
BISP recipient = 1	2.242**	0.980	2.237**	1.219	1.904**	1.216
	(3.99)	(0.92)	(3.63)	(1.25)	(2.42)	(1.21)
N	1465	661	1465	661	1465	661

Notes: Marginal effects; *t* statistics in parentheses. (d) for discrete change of dummy variable from 0 to 1. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

¹⁰ BISP was launched in 2008 after Pakistan's democratic transition. However its implementation expanded gradually over the years resulting in considerable variation in exposure to the program in communities in the sample.

Taken together, these results strongly suggest that international aid in Pakistan, in the form of cash transfers, has led to improvements in overall perceptions about the government and the USA, albeit without any visible changes in the strength of the social contract between citizens and the state.

These results are robust to alternate specifications including (i) estimating IV effects for the full sample, (ii) clustering standard errors at the village level, (iii) adding individual controls and province dummies and (iv) using the recalculated (continuous) BISP poverty score (rather than the binary eligibility predicted by it) as the IV for BISP receipts (see Appendix).

We also examine whether BISP receipts had any effect on attitudes towards political questions that we do not, *prima facie* expect to change in response to BISP. These include the governments' support for independence in Kashmir, government's actions against extremist groups, observance of purdah among women and honour killings. While a cash transfer program implemented by the national government and supported by foreign donors including the US can signal the responsiveness of the latter to the economic situation of the people, these transfers should have no effect on other social and political attitudes as such (Table 10). Indeed we find that the BISP has no effect on questions unrelated to national or donor governments, giving us greater confidence in the validity of our main results.

Table 10. BISP receipt and attitudes towards other political questions (not related to national or donor governments)

	Pakistan Government support for Kashmiri independence 1 = important	Military action against extremist groups improves Pakistani security 1 = Agree	Govt should force all women to observe purdah 1 = Agree	Honor killings (karo kari) are justified 1 = Yes
BISP recipient = 1	0.793 (0.77)	-0.306 (-0.34)	0.815 (0.87)	0.802 (0.94)
<i>N</i>	2126	2126	2126	2126

Notes: Marginal effects; *t* statistics in parentheses. (d) for discrete change of dummy variable from 0 to 1. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

5. Conclusion

International aid in the form of cash transfer program has been heralded as a means to win hearts and minds and strengthen the social contract between governments and citizens in countries affected by violent conflict. This paper attempts to isolate the causal effect of aid interventions in

the form of a large cash transfer program implemented in Pakistan – the Benazir Income Support Program – on individual political attitudes. The empirical identification leverages a discontinuity of the program around a poverty threshold to examine differences in political attitudes among program beneficiaries and a control group that did not benefit from the program because its income was just below the poverty score used to target the cash transfers.

The analysis conducted in the paper shows that the aid program led to improvements in attitudes towards the government of Pakistan and the US, as well as in attitudes about Pakistan-US relations. When looking in more detail at heterogeneous effects of the program, we find however that cash transfers improved attitudes towards the state and donors but only in areas that were relatively better-off. There is no effect of the program on political attitudes in the so-called ‘nation-building’ districts. Moreover, we find that cash transfers lead to favorable changes in perceptions towards the government and the US, but have no visible impact on trust in state institutions. We interpret this result as an indication that aid interventions in Pakistan have led to improvements in general views among the beneficiaries of the program about the government, about the US and about Pakistan-US relations, but has not affected any fundamental attitudes of the population towards state institutions or the social contract between citizens and the states.

These findings challenge a longstanding view in policy circles that cash transfers can be used to improve relations between states and citizens in countries emerging from violent conflicts. In the case of Pakistan, this effects seems to be largely superficial, and has no measurable impact on fundamental attitudes that shape the social contract between citizens and the state. This stands in contrast with other studies that have found positive effects of aid in the form of cash transfers on voting behavior (Manacorda et al. 2011) and on violence (Crost et al. 2016). These contrasting results suggest the need for more micro-level research on the relationship between aid and political attitudes – that may in the long-term affect the likelihood of further conflict and violence. Future research should in general pay attention to the social, political and economic mechanisms that shape the relationship between aid and political attitudes, as well as the ways in which aid is delivered to populations in conflict-affected areas. The results in this paper suggest in particular that aid programs may need to be accompanied by changes in the underlying institutions of the state, an issue that need urgent attention among scholars and policymakers.

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Appendix 1. Robustness Tests

Table A1. BISP receipt and attitudes to national and US government: IV probit estimates; full sample (i.e. not restricted to mid-50% distribution of BISP poverty score)

	Overall Satisfaction with govt 1 = satisfied	Overall Satisfaction with military 1 = satisfied	Important to live in a democracy 1 = Important	If govt improved health/ education facilities, extremist groups would have less support 1 = Agree	Relationship b/w US and Pakistan good for Pakistan 1 = Yes	Opinion of US Govt. 1 = favourable
BISP recipient = 1	1.114*** (3.82)	-0.552 (-1.49)	-0.443 (-1.36)	0.025 (0.08)	1.222*** (4.43)	0.853*** (2.76)
<i>N</i>	3907	3907	3907	3907	3907	3907

Marginal effects; *t* statistics in parentheses

(d) for discrete change of dummy variable from 0 to 1

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A2. BISP receipt and attitudes to national and US government: IV probit estimates; standard errors clustered at the village level

	Overall Satisfaction with Govt 1 = satisfied	Overall Satisfaction with military 1 = satisfied	Important to live in a democracy 1 = Important	If Govt improved health/ education facilities, extremist groups would have less support 1 = Agree	Relationship b/w US and Pakistan good for Pakistan 1 = Yes	Opinion of US Govt. 1 = favourable
BISP recipient = 1	1.859*** (3.24)	-1.040 (-1.10)	0.109 (0.10)	0.028 (0.03)	1.891*** (2.97)	1.671** (2.04)
<i>N</i>	2126	2126	2126	2126	2126	2126

Marginal effects; *t* statistics in parentheses

(d) for discrete change of dummy variable from 0 to 1

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A3. BISP receipt and attitudes to national and US government: IV probit estimates; adding individual controls and province dummies

	Overall Satisfaction with govt	Overall Satisfaction with	Important to live in a democracy	If govt improved health/ education facilities, extremist	Relationship b/w US and Pakistan good	Opinion of US Govt.
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	1 = satisfied	military 1 = satisfied	1 = Important	groups would have less support 1 = Agree	for Pakistan 1 = Yes	1 = favourable
BISP recipient = 1	2.034** (2.48)	-1.732 (-1.46)	0.480 (0.31)	0.427 (0.28)	1.831* (1.86)	1.663 (1.58)
<i>N</i>	2121	2121	2121	2121	2121	2121

Marginal effects; *t* statistics in parentheses

(d) for discrete change of dummy variable from 0 to 1

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Controls include: gender, Age, school attendance (dummy)

Table A4. BISP receipt and attitudes to National and US government: IV probit estimates; using reconstructed poverty score as IV for BISP receipt

	Overall Satisfaction with govt 1 = satisfied	Overall Satisfaction with military 1 = satisfied	Important to live in a democracy 1 = Important	If govt improved health/ education facilities, extremist groups would have less support 1 = Agree	Relationship b/w US and Pakistan good for Pakistan 1 = Yes	Opinion of US Govt. 1 = favourable
BISP recipient = 1	1.652*** (2.83)	-1.060 (-1.27)	-0.209 (-0.25)	0.291 (0.35)	1.716*** (2.96)	1.542** (2.48)
<i>N</i>	2126	2126	2126	2126	2126	2126

Marginal effects; *t* statistics in parentheses

(d) for discrete change of dummy variable from 0 to 1

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$