



Highlight

Post-conflict cash benefits are necessary to restore social balances after long periods of civil unrest or war and are part of the reconciliation process for a country and society.

However, these policies/ programs can have a long-term fiscal impact, be very regressive, be difficult to retract, and crowd out other social protection programming. Hence, policymakers need to carefully weigh the advantages and disadvantages of different design options in the delivery of these cash benefits.

From Conflict to Peace:

A Note on Designing and Transitioning War Related Cash Benefits

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I. Introduction

Fragile and post-conflict countries tend to spend heavily on conflict-related social benefits, particularly in the years immediately following the conflicts, many times to the exclusion of other types of social protection. The motivations to provide these benefits can come from at least four sources: (a) efforts to reward and thank those who made sacrifices to reach the post-conflict outcomes; (b) an inducement for combatants to lay down their weapons; (c) housing and resettlement support for internally displaced people; and (d) efforts to alleviate the suffering the general population faced during the conflict. Clear distinctions between benefits arising from these different motivations is not always clear and some of the benefits given may have multiple purposes. In addition, governments bear the cost of rebuilding infrastructure that was damaged or destroyed during the conflict. All of these expenditures combine to impose a heavy burden on the already strained fiscal budgets of fragile and post-conflict countries. Nevertheless, all of these benefits are a critical element in establishing the legitimacy of the post-conflict government.

Different types of conflicts generate different types of benefits. Conflicts that resulted in a new country being formed tend to generate benefits which reward and thank those who made sacrifices, while civil war within an existing country which ends with some type of peace settlement often results in payments to combatants who lay down their weapons or other types of demobilization payments. The need for housing and resettlement support typically arises when ethnic or religious conflicts cause people to move to a different country or to a different part of the same country. Almost all conflicts create suffering for the general population and destruction of infrastructure which then needs to be replaced.

Governments are not the only providers of conflict-related benefits. In some cases, religious or other civil society organizations, or even donors, may be the prime providers of benefits rather than the government. In other cases, these other organizations

complement what is provided by the government. In yet others, the government maintains the primary role or even exclusive role of providing benefits. All of these make it impossible to conduct a comprehensive cross-country analysis.

Part II of this note relies heavily on examples from a few countries where detailed data were available. The examples are illustrative and are likely to be relevant to other countries as well. Detailed data were available for the two separate entities of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina and Republika Srpska, as well as Croatia, Kosovo, Nepal, Namibia, and Timor-Leste. These will be presented in the second part of the paper, documenting the types of programs in each country and the cost of each program. While detailed data are available on the number of beneficiaries, level of benefits, and total costs of the cash benefits provided in these countries, there are still other in-kind benefits, such as free education, free health care, subsidized housing, subsidized energy, and free or subsidized transportation, as well as special tax treatment, which are scattered throughout the government budget. Often these in-kind benefits are subsumed within separate ministry budget categories and are difficult or impossible to separate. The spending numbers presented should thus be considered as the minimum amount spent on war-related beneficiaries rather than the total spending on these beneficiaries.

Countries seem to be divided into two types: (a) those that provide continuing benefits on a monthly basis and (b) those that provide benefits as a one-time payment often immediately following the resolution of the conflict. The limited data combined with secondary sources seems to suggest that countries fall into one of these two types. As a rough generalization, middle-income countries and those that are more resource-rich tend to favor continuing benefits, while poorer countries which often experience a donor inflow immediately after a conflict, tend to use their limited financing to pay one-off benefits.

Part III of this note looks at how countries can begin to move their social protection spending away from the huge focus on conflict-related categorical benefits and toward the typical categories that other governments protect with cash benefits, the poor and the vulnerable, but recognizes that this process will be different for the two types of countries. Recognizing and rewarding the efforts and suffering of fighters, their families, and the general population is important to the legitimacy of a government. Maintaining peace is even more important in not only creating a nation, but in establishing the foundation for growth and prosperity. Nevertheless, post-conflict countries face the same social protection needs that non-conflict countries do, the need to protect the poor and the vulnerable. These beneficiaries could be the households in the bottom quintile of the income distribution or the elderly, disabled, unemployed, families who have lost their breadwinner, or others who are unable to work. The conflict-related benefits, particularly in those countries which offer

continuing benefits, not only do not always cover these poor and vulnerable populations, but also tend to crowd out spending on the poor and vulnerable. Over time, these countries will want to gradually shift their spending away from the heavy emphasis on conflict-related benefits and toward all the poor and vulnerable in the society, whether or not their poverty and vulnerability was directly derived from the conflict.

Countries with one-off benefits also often start with benefits that are less targeted toward the poor and vulnerable. Initially being more inclusive may help promote social cohesion, but eventually these countries also need to move toward more focus on the poor and vulnerable, regardless of their treatment during the conflict.¹

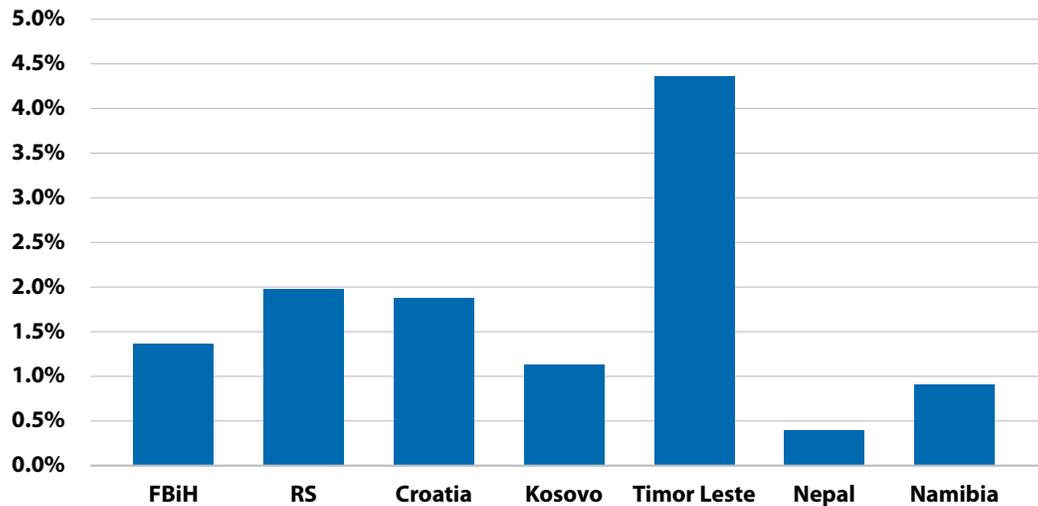
Finally, Part IV offers conclusions based on the experience and analysis contained in Part II, on delivering conflict related benefits.

II. Examples of Conflict-related Benefits and their Costs

A wide variety of post-conflict benefits exist in countries and are often widely scattered throughout the budget, making it impossible to get a comprehensive listing of programs, beneficiaries, and costs. The scope, intensity, and duration of the conflict have an impact on the types of benefits provided and how they are structured, which affects how easy they are to identify. Countries which have set up departments for veterans' benefits or even ministries make it easier to identify these benefits, but even then, there is often political sensitivity regarding the benefits, making it difficult to obtain the information. Furthermore, while benefits for non-regular fighting forces are typically separated into special veterans' benefits, sometimes these benefits are subsumed within the regular military benefits budgets, particularly in cases where much of the fighting was done by regular military or where the irregular militia were incorporated within the regular military. Other benefits like education benefits or special consideration for government jobs are scattered elsewhere in the budget or become difficult to quantify. Most often these are noncontributory cash and in-kind benefits, whereas in some countries, they can include social insurance benefits which have been adjusted as flat benefits due to circumstances.

Despite the difficulties with the data, evidence suggests that a fairly significant percentage of the gross domestic product (GDP) is being spent on post-conflict benefits in each of the countries, where data are available, particularly in countries where the benefits are provided monthly on a continuous basis. Figure 1 shows the spending on post-conflict benefits in each of the countries as a percentage of GDP. Even these spending numbers mask some of the actual spending. In the case of the Federation of Bosnia and Herze-

¹ Rebecca Holmes. 2009. "Cash-Transfers in Post-conflict Contexts." Project Briefing No. 32. Overseas Development Institute.

Figure 1: Spending on Conflict-Related Noncontributory Benefits as a Percentage of GDP

Sources: Bosnia and Herzegovina from "Non-contributory Cash Benefits for Social Protection in BiH: What Works and What Does Not," Maastricht University Graduate School of Governance, June 2013; Croatia from Croatian Government Budget; Kosovo from Kosovo Ministry of Labor and Social Welfare; Timor-Leste from National Directorate for Veterans Affairs of Timor-Leste; Nepal from Nepalese Relief and Rehabilitation Unit of the Ministry of Peace and Reconstruction; Namibia from the World Bank ASPIRE database (www.worldbank.org/aspire).

govina, for example, some of the support to veterans comes through the pension fund and not directly through the veterans' agency. This high level of spending on conflict-related benefits, which does not appear to be well-targeted,² tends to crowd out other forms of social protection spending. It should be noted that a large part of the Nepalese benefits are typically paid as one-time benefits and what is listed is what has been paid in total since the conflict ended and compared to 2013 GDP. It is impossible to know what was actually paid in the year 2013. In the other cases, these are monthly benefits for the most part which will continue throughout an individual's lifetime and possibly that of his survivors as well, although about 1.3 percent of the total benefits shown for Timor-Leste are also one-time benefits.

The various types of benefits offered by each country are different and tailored to its own needs, given that each conflict is different. The conflicts in former Yugoslavia tended to be of shorter duration, but more intense and involving a large fraction of the general population. There has also been a bit of a comparative game among the former Yugoslav countries with no country wanting to deny its population benefits that another country has given. Unsurprisingly, the types of benefits offered by the four governments for which there are data, the two Bosnia entities, Croatia, and Kosovo are quite similar. They all provide pensions to disabled veterans, including those with as little as 20 percent impairment in both entities of Bosnia and in Kosovo. They all provide benefits to families

of fighters who died during the conflict or are still missing and presumed dead. The benefits are typically provided in relation to the number of family members lost and not to the level of need. So a single surviving individual who lost multiple family members could receive a substantially large payment, while a family of ten people which lost only one person will comparatively receive little. The level of benefits when compared to average wage varies greatly across governments, but most are below average wage.

The ex-Yugoslav countries also provide benefits to healthy veterans. Republika Srpska in Bosnia and Herzegovina explicitly provides pensions for healthy veterans who served during the conflict. The Federation of Bosnia and Herzegovina and Croatia provide benefits for healthy veterans, but largely through the pension system, where additional benefits are provided to people who served. The benefits provided through the pension system are not necessarily reflected in the spending numbers shown in figure 1. Kosovo is in the process of specifying who qualifies as a veteran so that they can also provide veterans' pensions. In the case of Republika Srpska, these pensions are provided right away, irrespective of age. In the cases of the Federation of Bosnia and Herzegovina and Croatia, the pensions are generally provided in line with the pension system, although the pension system in the Federation of Bosnia and Herzegovina allows a fair amount of early retirement. In Kosovo, the rules are yet to be fully defined. In some cases, further additional payments have been made to a subset of fighters. For example, in the case of Kosovo, as the militias were converted into the Kosovo Protection Corps, some payments, one-off or periodic, were often made to people who were not included in the new downsized force. Then,

² Timor-Leste Social Assistance Public Expenditure and Program Performance Report, World Bank, 2013; Targeting Systems for Safety Nets in Nepal: A Review, World Bank, 2009; and Non-contributory Cash Benefits for Social Protection in BiH: What Works and What Does Not, Maastricht University, 2013.

when the Kosovo Protection Corps was further downsized to the Kosovo Security Force, again, payments were made to some individuals who were not included in the newer force. This type of payment is also not included in the spending numbers shown in figure 1.

Given the severity and breadth of the conflict, payments have also been instituted to the civilians disabled and to the families of civilians who were killed during the conflict or are still missing in former Yugoslavia. This type of benefit is a bit unusual in countries like these that already have a fairly extensive social protection framework. Typically civilians disabled or survivors of civilians dead due to the conflict are treated the same as anyone in the population who is disabled or the survivor of a civilian who died an early death, given that there are social protection programs in place that cover disability and death. However, the choice was made in these countries to separate those affected by conflict and provide them with a separate category of benefits. The benefit levels in all cases are below those for fighters or families of fighters suffering similar circumstances and the eligibility criteria is stricter. In the case of the two Bosnian entities, the degree of invalidity must be at least 60 percent for a civilian to qualify for a benefit.

The ex-Yugoslav countries also provide long-term care for those suffering from conflict-related injuries, including orthopedic benefits, as well as a variety of other privileges. As would be expected, those who require caregiving services and orthopedic benefits, as well as medical treatment and rehabilitation are provided those services, generally free of charge. Other benefits provided in Bosnia and Herzegovina, which are less typical elsewhere, include unemployment benefits; priority employment on equal terms; priority when renting and purchasing business premises on equal terms; priority enrollment in educational institutions on equal terms; free required textbooks for full-time education; priority in awarding scholarships and lodging in student dormitories; priority access to housing on equal terms; funeral benefits; priority access to employment programs; exemption from payment of construction land use fee; and eligibility for privileged pensions. Kosovo adds free transportation as well as free electricity if needed, to this list of additional benefits. The spending on all of these benefits are in addition to what is specified in figure 1.

The post-conflict benefits offered in Timor-Leste, by contrast, are much more focused on the combatants themselves, irrespective of their health status, and are non-contributory. The conflict in Timor-Leste and the post-conflict benefits offered are quite different from the ex-Yugoslav countries' benefits. The conflict was largely a resistance movement which continued for 24 years, followed by a relatively short intense conflict which took place between the vote for independence in August 1999 and the establishment of the United Nations Transitional Administration in October 1999. Benefits are based on the military rank that a person held during the resistance period and the number of years a person

participated full time in the resistance. There are three types of ranks—superior, medium, and inferior; and three participation categories—those who participated 20 or more years, those who participated full time between 15 and 19 years, and those who participated full time between 8 and 14 years. The highest grade individual with 20 or more years of service receives 5 times the minimum civil service wage, while the highest grade individual in the 8–14 year category receives 60 percent of that amount. Disabled combatants unable to work also receive 60 percent of the amount received by those who participated 20 or more years, regardless of the years served. Unlike the ex-Yugoslav countries which provided benefits to those with injuries, irrespective of their work capacity, benefits in Timor-Leste are tied either to the length of service or to disability and inability to work. Those who served full time between 4 and 7 years receive a one-time payment equal to 12 times the monthly minimum wage. The direct survivors of those who died—widows, parents, siblings, and children—receive a total pension equal to 50 percent of the highest pension amount appropriate to the grade of the individual who died, which is divided equally by the number of beneficiaries. Family members of those who currently receive a pension will receive a survivor's pension when the current pension recipient dies. Finally, more distant family members of people who died but did not leave a direct heir also receive a lump-sum benefit equal to whatever a direct heir would have been entitled to receive for 12 months. These family members include direct descendants or ascendants up to four generations away as well as nephews and nieces, aunts and uncles, and cousins.

Timor-Leste combatants also receive non-cash benefits not included in the figure 1 calculations. Timor-Leste combatants, like those from former Yugoslavia, receive non-cash benefits which are harder to measure. These include funeral honors, free medical care, special training and employment programs which provide assistance in reintegration in civilian life, and free access to education for combatants, widows, and descendants.

The difference between the Timor-Leste benefits and the ex-Yugoslav countries benefits reflects both the differences in the scope, duration, and intensity of the conflicts, as well as societal choices on how to define disability. Timor-Leste benefits are more akin to regular military benefits that are given to people who serve full time in the military, as opposed to awards to people who were pulled into fighting from their civilian jobs. The conflict also seems to have generated fewer disabled combatants, only 319 as of 2014, approximately one disabled combatant for every 20 health combatants. By contrast, in Republika Srpska, there were more than 35,000 receiving disability benefits, with just over 135,000 receiving general veterans' benefits, or one out of every four combatant beneficiaries. While the conflicts themselves were different, the definition of disability was also markedly different, resulting in far fewer disabled beneficiaries in Timor-Leste. The level of the benefits are also substantially different, with the highest benefits set at approximately 83 percent of the average

wage in Bosnia, while the highest benefits in Timor-Leste were more than 330 percent of the average wage. This partly reflects the oil windfall experienced by Timor-Leste and its greater ability to pay generous benefits, but also partly the societal choice to limit benefits to those who had the most active participation or were most significantly injured.³

While less data are available on Namibia, it seems to follow the pattern of middle-income countries providing relatively generous benefits to combatants and their families. Namibia very much follows the pattern of the Western Balkans countries and Timor-Leste. Four programs exist to help veterans and their families, providing annual cash benefits between average wage and twice average wage depending on the years spent in the liberation struggle, providing entrepreneurship grants worth up to about 10 years of average wages upon submission and approval of a proposed project, vocational and education training, funeral assistance, and coverage of medical and psychological needs. The cost of these programs amounted to 31 percent of the total social protection spending in Namibia in 2012.

The Nepalese conflict of 1996–2006 was yet another type of conflict that generated different types of noncontributory benefits and also reflected the more limited resources of the Nepalese government. The Nepalese conflict was a completely internal conflict, which unlike the ex-Yugoslav countries conflicts and the Timor-Leste conflict, did not create a new country, but ultimately replaced a monarchy with a representative government. The fighters of the Peoples Liberation Army were eventually merged with the Nepal Army, with the combatants being given three choices: (a) integration with the Nepal Army; (b) voluntary retirement; and (c) rehabilitation. Those who were integrated received the normal salary and benefits package provided to the Nepal Army. Those who chose voluntary retirement received a lump sum worth between 8 to 12 years salary at average wage. Only six combatants registered for rehabilitation packages.⁴

Benefits to families of those killed and disabled, whether civilian or combatant, were paid as one-off benefits rather than as continuing pension payments for the most part. Cash grants worth almost 5 years of average wage were given to families of those who were killed or who had disappeared. An additional cash grant of 5 months of average wage was given to widows of those killed or disappeared as well as to those who were kidnapped. Cash grants of almost 2 years of average wage were given to children who lost both parents during the conflict. Cash grants of 9 months of average wage were provided as an allowance to caregivers for the severely disabled. The displaced were given on average 2 months salary and on average about 7 months average salary has been spent

on compensation of property. A number of other very small benefits seem to be provided on a monthly basis—an allowance to martyrs' families, a monthly allowance to the disabled, scholarships to the children of the disabled, relief to the disabled, and subsistence for the severely disabled. But aside from the scholarships, most of these recurring benefits go to very few people and constitute a minimal proportion of the overall post-conflict spending.

During and following the conflict, due to challenges with personal records and proper administration, the government of Iraq reverted the pension scheme at that time to provide only 'flat emergency' cash benefits paid out of the general budget, until a new pension system was created in 2006. In 2014, new pensioners were benefiting from the new pension scheme (being paid out from the new official pension fund) while an estimated 2 million people were still benefiting from the 'flat' cash benefits, among them around 100,000 war victims and martyrs, all being paid out of the general budget. Essentially, most of the pension benefits are still outside the formal pension scheme and need to be eventually either phased out or brought into the system in a fiscally sustainable manner (around 2 million beneficiaries are receiving benefits from the general budget, while at the moment less than 200,000 beneficiaries—although increasingly growing—are receiving benefits from the contributory pension scheme).

Other post-conflict cash transfer programs (within the category of programs termed disarmament, demobilization, and reintegration [DDR] include those piloted in Mozambique in the 1990s, donor-implemented programs in Somalia in the early 2000s which included both cash transfers and cash-for-work projects, cash-for-work programs in Afghanistan beginning in 2002, and donor-implemented cash-for-work programs in the Democratic Republic of Congo in the early 2000s.⁵ These programs are often small scale and do not take up much of social protection spending. In the West Bank and Gaza, the Support of the Families of Martyrs and Injured Citizens Foundation provides cash, rehabilitation, education, and health care assistance to those inside and outside of Palestine who fall within the two categories.⁶ Zimbabwe also has a much smaller program for surviving spouses and children of national heroes. The benefits are a relatively small US\$26 per month for each surviving spouse and US\$6 for each child. In 2012, there were only 582 beneficiaries at a cost of 0.3 percent of the social protection budget.⁷

³ There is discussion in Timor-Leste about dropping the requirement for full-time participation in the conflict to qualify for benefits, which will move Timor-Leste more toward the ex-Yugoslav countries model.

⁴ Singh, Ajit Kumar. 2012. "Nepal: Consolidating the Peace – Analysis," Eurasia Review. <http://www.eurasiareview.com/24042012-nepal-consolidating-the-peace-analysis/>

⁵ Harvey, Paul, and Rebecca Holmes. 2007. "The Potential for Joint Programmes for Long-Term Cash Transfers in Unstable Situations," Humanitarian Policy Group, August.

⁶ World Bank, West Bank and Gaza, Country Case Study.

⁷ World Bank, ASPIRE database.

III. Moving from Post-conflict Benefits to Social Protection of the Poor and Vulnerable

Countries emerging from conflict need to gradually transition from a focus on conflict-related benefits to a social protection policy which focuses on the poor and the vulnerable and on providing a springboard to employment.

The initial focus on conflict-related benefits serves a useful purpose in recognizing those who contributed to bringing about peace, providing relief to those who were injured or suffered the loss of a breadwinner, and creating a sense of social cohesion, with the government seen as provider of benefits. However, if benefits are too generous or too widespread, over time, they can prevent the country from moving past the conflict. They can constitute a large share of the social protection budget, squeezing out room for other spending which might better jump-start growth and build even more social cohesion. They can sow seeds for future conflicts by encouraging ex-combatants to remain idle. They can also be so generous that they discourage healthy family members from joining the labor force, limiting the labor force participation and more general social participation of these families. For example, in Bosnia and Herzegovina only about 54 percent of the labor force is active, partially due to disincentives to work created by poorly designed and targeted social benefits.

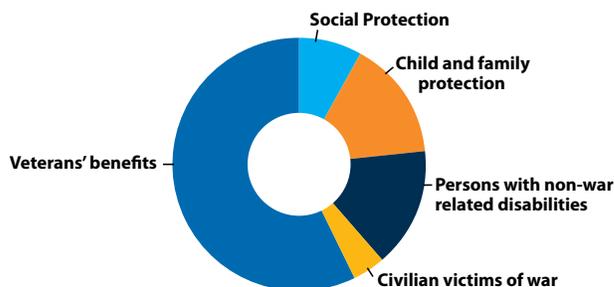
Middle-income post-conflict countries are more likely to face difficulties with phasing out of categorical benefits than lower-income countries. In middle-income and resource-rich countries, governments had sufficient resources immediately after the end of a conflict to initiate many of these benefit schemes and continue to have resources to finance such schemes. These benefits also become legal entitlements engrained into the social contract as in the Western Balkans. As such, they tend to be ongoing benefits rather than lump-sum benefits, which then have a continuing impact on the budget even many years after a conflict has ended. The benefits tend to be more generous, often allowing individuals and families to live at the poverty line or above without working. Retrenchment becomes politically very difficult as veterans and their families who receive these relatively generous benefits have considerable voice and political influence.

By contrast, in lower-income countries, the benefits tend to be financed by donors who provide limited funding for a limited period of time and, therefore, in most cases are hastily phased out without adequate attention to welfare implications on the conflict-affected population. The benefits tend to be paid as one-off benefits and tend to end when the donors withdraw funding. The one-off benefits provide incentives for individuals receiving them to think about investing in something that will provide income in the future since they otherwise have no assurance of future income. While the limited time period and sometimes the pilot nature of the projects may fall short of providing an adequate springboard for full economic and social integration of individuals, the

limited time frame also does not distort the social protection program going forward.

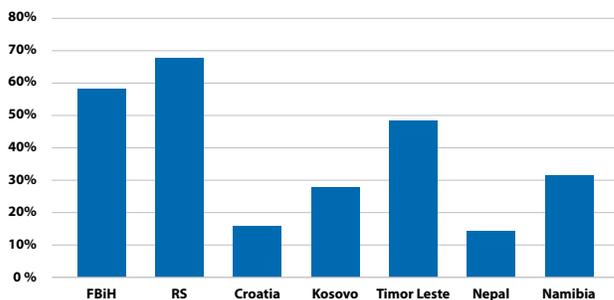
Figure 3 shows the relatively high percentage of the social protection budget spent on conflict-related benefits in the countries for which there are data. While a richer country like Croatia spends heavily on pensions and other social protection needs, the two Bosnian entities and Kosovo which spend heavily on pensions, in addition to conflict-related benefits, have little financing left for social assistance. In Bosnia and Herzegovina, 80 percent of the spending⁸ on non-contributory social transfers are allocated to categorical benefits including non-war-related disabilities, civilian victims of war, and war veterans (figure 2).

Figure 2: Noncontributory Social Transfers in Bosnia and Herzegovina



Further, in both Kosovo and Timor-Leste, the process for determining conflict-related beneficiaries is still ongoing which suggests a further potential for squeezing other social protection needs. In Nepal, the only lower-income country with data available, much of the spending is discrete and so less likely to affect future budgets.

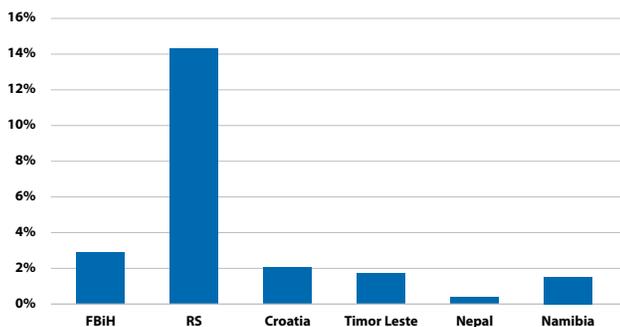
Figure 3: Between 10% and Two-Thirds of the Social Protection Budget is Being Spent On Conflict-Related Benefits



⁸ Spending on social assistance/safety nets is 3.9 percent of GDP.

The data also suggest that the conflict-related benefits are going to relatively few beneficiaries. While the data suggest that in general, there is more or less a match between the percentage of GDP going to conflict-related beneficiaries and the percentage of the population that are beneficiaries, Timor-Leste seems to be an outlier where almost 4.5 percent of non-oil GDP is going to less than 2 percent of the population. However, the measure of number of beneficiaries is somewhat flawed and may include both double-counting and undercounting. It is impossible to tell from the aggregate data if one individual is collecting multiple benefits and therefore counted as multiple beneficiaries. The beneficiary count was corrected for obvious cases, such as excluding those disabled receiving caregiver supplements, as they were already included in the total of those who were receiving disability benefits. In the case of a benefit going to the family of someone who died or was declared missing during the conflict, only a single beneficiary might be listed in the administrative records, while a much larger family is benefitting. Some countries list each orphan child who receives additional benefits separately from their widowed parent, while others only list the parent who receives own benefits as well as the benefits of the minor children in one joint payment. As a result, the numbers across countries are not strictly comparable. Nevertheless, figure 4 presents rough estimates of the number of beneficiaries as a percentage of the population.⁹

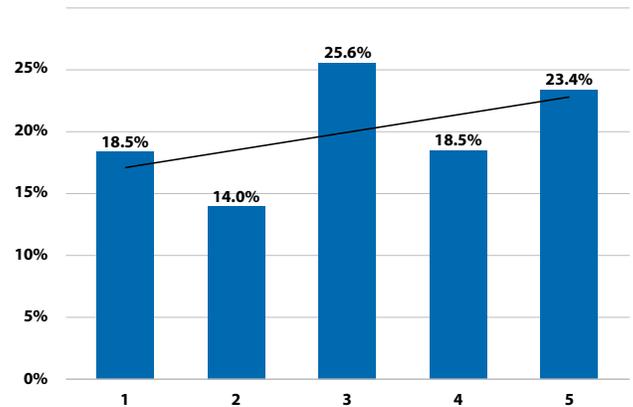
Figure 4: Percentage of Population Receiving Conflict-Related Benefits in Most Recent Year



The limited analysis done, to date, also suggests that the conflict-related cash benefits are highly regressive and do not benefit the poor or vulnerable. In the case of Republika Srpska, a Maastricht University study showed that the majority of benefits do not reach the poorest. Only about 18 percent of post-conflict cash benefits reached the bottom quintile in 2011. The Federation of Bosnia and Herzegovina shows an even lower percentage of cash transfers going to the bottom quintile, 10 percent, as documented in the same study while the top quintile receives 26 percent.¹⁰ Timor-Leste

performs relatively better, with 27 percent of its cash benefits going to the bottom quintile, although still far from a majority, and 26 percent of its conflict-related benefits going to the bottom quintile, with 21 percent of these benefits going to the richest quintile.¹¹

Figure 5: Veterans' Benefits in Republika Srpska, by Quintiles of Consumption of the Population, 2011



Given the high percentage of the budget going to these types of benefits and their negative impact on labor force participation, countries which have already instituted these programs need to find ways to reduce the spending without introducing social tensions and damaging the reconciliation brought about by instituting them. What can countries do? The easiest measure is most likely to be keeping the benefits paid constant in nominal terms from some point forward. This will result in a very gradual reduction in spending, but is less likely to be as contentious as other approaches. Social assistance programs should not exclude these beneficiaries if they are in fact poor. Some programs using a proxy means test use receipt of any other government benefit as an exclusion factor. Removing this factor from the eligibility criteria for social assistance will protect these beneficiaries from falling into poverty. If poverty is a particular concern for these beneficiaries, the constant nominal benefit can be augmented by increases for those whose households fall below a threshold, using a conventional or proxy means test. An alternative approach can be to grant benefits, but not pay all of them if government revenues fall below a threshold. This approach has the advantage that people have been recognized for their efforts and may receive only limited benefits today, but might expect to see greater future benefits if the economy improves. Kosovo used this approach in 2007 when only certain categories of beneficiaries were paid, although all were recognized, and, even among those paid, the benefits were paid at 70 percent of what was written in the law. The two Bosnian entities have applied this budget constraint approach to other social

⁹ Even the population estimates are not certain in the case of the two Bosnian entities with no census having been taken since the war.

¹⁰ "Non-Contributory Cash Benefits for Social Protection in BiH: What Works and What Does Not," Maastricht University Graduate School of Governance, June 2013, p. 53 and p. 97.

¹¹ World Bank. 2013. "Timor-Leste Social Assistance Public Expenditure and Program Performance Report," Report No. 73484-TP, June, p. 50.

benefits, although not necessarily consistently for post-conflict benefits. The danger of this approach is twofold: (a) individuals may interpret these reductions as arrears and demand full payment when the economy recovers, suggesting that the legislation which institutes partial payments has to very clearly state that arrears are not to be accumulated and (b) the increase in these payments when the economy begins to recover may cause a drag on growth, preventing a real recovery.

The better approach is to be more cautious about granting recurrent benefits, granting them to as few individuals as possible, and to carefully cost out the lifetime costs of these benefits. Almost all post-conflict countries experience a ballooning of the number of claimants. In Kosovo, for example, the former prime minister who had been a Kosovo Liberation Army (KLA) leader, once quipped that if he had the number of soldiers as there were claimants to veterans' benefits, he would not have needed NATO help in securing independence. And even 10 years after the conflict ended, the number of disabled claims related to the conflict continued to grow. A very careful vetting process needs to be undertaken, as soon as possible after the conflict, when memories are still fresh. Recurrent benefits are clearly needed, where affordable, for the severely disabled and for caregivers for these individuals. Even countries such as Nepal, with limited resources, provide recurrent benefits for these categories. Individuals who suffered lesser injuries might be better served with rehabilitation and training rather than disability benefits. Healthy veterans could receive recognition, training, lump sums, or a promise of an old-age pension when they reach a normal retirement age. All of these encourage reintegration into the economy and labor force over paying someone to remain idle.

One-off payments provided by many lower-income countries provide somewhat better incentives for economic reintegration and growth based on mixed international evidence coming from DDR programs. One-off payments can provide financing for replacing housing and other durable goods, start-up financing for entrepreneurial activities, or financing for retraining. All of these can possibly provide a future stream of income which can make an individual productive and bring the household out of poverty. Even though these programs have the advantage of being limited in duration and hence having no recurring fiscal implications, international evidence from DDR programs suggest mixed evidence in terms of their poverty reduction impact and their efficiency. International experience also indicates that most program beneficiaries will continue to be poor unless they receive further social assistance. The initial one-off payments have often been insufficient to create enough of a future income for households, if it were poorly spent. Entrepreneurial activities undertaken often fail in fragile settings. While post-conflict rebuilding typically provides employment and entrepreneurial opportunities, more general business opportunities may require a minimum level of infrastructure to be successful, making initial business activities more risky. Therefore, these programs need to be complemented by social assistance systems that provide a safety net for those who still

fall into poverty and need complementary social care services or other services along with a cash transfer and/or initial vocational training or a benefit package.

Box 1. Experiences from DDR Programs

DDR programs beyond the disarmament have often provided beneficiaries ('ex-combatants') either with training; support for self-employment/entrepreneurship, grants, and access to land; employment; psychosocial counseling; or a combination of several benefits. Analysis of DDR programs from Southern and Western Africa point to several weaknesses of these programs from a social protection and, more broadly, a poverty reduction perspective. In particular, DDR programs have not been successful in providing a sustainable productive safety net mechanism for 'integrating' the ex-combatants and enabling them to provide for their livelihoods in the long run. Analysis also suggests that the program designs are very gender biased and have not been very effective in attending to the needs of female ex-combatants or their families. Analysis of programs, such as the Liberian DDR program, at the end found that both those who had completed reintegration and non-participants in the DDR program reported very similar income patterns: approximately 36 percent of both groups self-reported earning less than US\$2 per day, while 26 percent of non-participants reported earning more than US\$5 per day (versus only 21 percent of reintegration completers).*

* K.M. Jennings, 2009 "The Political Economy of DDR in Liberia: A Gendered Critique", *Conflict, Security and Development*

IV. Conclusions

Post-conflict countries, particularly middle- and higher-income countries, tend to provide recurrent benefits for those who participated in and were affected by the conflict, resulting in substantial fiscal costs, a crowding out of expenditures on other poor and vulnerable groups, and limited reintegration in the labor market. The need to recognize those who suffered during a conflict, either as participants or as civilians, is important in building social cohesion in a post-conflict country. However, the benefits given are often generous and given to many people, saddling the country with unaffordable fiscal costs and providing incentives for 'conflict participants' to remain out of the labor force. The benefits themselves can make it difficult for the country to move beyond the conflict and establish a meaningful need-based social contract as its other social protection needs remain unmet. For countries which have not yet taken these decisions, recurring benefits should be limited to the severely disabled, with others provided one-off benefits. For countries

which have already instituted substantial recurring benefits, the note suggests non-indexation of benefits or paying only a percentage of what has been granted as alternative to lower the current fiscal expenditures.

Numerous post-conflict countries, in particular, lower-income countries, most commonly in Africa and Asia, have also delivered one-off benefits to ‘war veterans’ or ‘ex-combatants’ through demobilization and reintegration programs. Although these programs are fiscally contained and time bound with negligible negative impact on government budgets (largely because they are externally financed) and medium-term social protection programming, they have not been particularly effective in improving the welfare of the affected populations. The large body of literature on the performance and effectiveness of such programs indicates on average poor results, in particular, with respect to the reintegration of the affected populations. Nevertheless, for countries with limited resources and income, opting for one-off benefits may be a good option. The design of these programs will need to take into consideration recommendations on better involvement of communities and improved content. The benefit package can be of a limited duration including a combination of training, cash benefits, psycho-social support, employment support, and preferential access to education and health care, however, carefully crafted with clear links to

the existing safety nets systems/programs in the country to provide continuity.

In summary, post-conflict cash benefits are necessary to restore social balances after long periods of civil unrest or war and are part of the reconciliation process for a country and society. However, as documented based on a few illustrative cases in this note, these policies/programs can have a long-term fiscal impact, be very regressive, be difficult to retract, and crowd out other social protection programming. Hence, policymakers need to carefully weigh the advantages and disadvantages of different design options in the delivery of these cash benefits.

A smooth transition to sustainable safety nets and pension systems is necessary for these benefits to have impact and be fiscally sustainable. However, without proper governance, transparent financing, targeting, and delivery mechanisms in place, a smooth and timely transition from conflict-related benefits to better-targeted safety nets or pensions might not be possible. If appropriate safeguards and design parameters are not in place, these programs may result in perpetuating inequalities, creating labor market distortions, and causing economic inefficiencies (or even further conflict) as opposed to reducing poverty and re-balancing post-conflict social dynamics.

