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Rebuilding Trust in Local Leadership in Conflict-affected Settings

The Impact of Community-based Cash Transfers

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Abstract

Trust in local leadership is critical for effective delivery of public goods and services -especially in conflict-affected and post-conflict settings, where local institutions and markets remain weak, and peacebuilding and recovery efforts are crucial. Thus, identifying avenues and instruments for rebuilding trust in local leadership remains important. Building on a recent and large-scale armed conflict in Ethiopia, we study the impact of a randomized community-based cash transfer on trust in local leadership. The randomized cash transfer was introduced after the war in Ethiopia and its implementation involved local community leaders, some of whom may have participated in the conflict. We find that exposure to armed conflict is associated with a significant deterioration in trust in local leaders, while the community-based cash transfer recovers some of the deteriorated trust. We provide suggestive evidence that the impacts of cash transfer are driven not only by those who received the cash transfer but also by non-beneficiary households in communities where the cash transfer is implemented. Our heterogeneity analysis reveals that the treatment effect is largely driven by poor households and households which do not benefit from government safety net programs. These results have important implications for policy design in rebuilding trust in local leadership in post-conflict and fragile settings.

Keywords: Armed conflict, cash transfer, governance, institutions, leaders, trust, Ethiopia

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1. Introduction

Trust in local leadership is key to sustainable development and peacebuilding efforts. Cross-country studies consistently show that higher levels of trust are positively associated with economic growth (Knack and Keefer, 1997; Zak and Knack, 2001), market efficiency, and financial development (Guiso et al., 2004). Trust in local leadership is also crucial for mobilizing resources and effective delivery of public goods and services, especially in settings where formal institutions are either weak or missing (Herbst, 2000; Van der Windt and Voors, 2020; Kahsay and Bulte, 2019). Yet, a number of man-made and natural factors, including violent conflicts, can erode trust in local leadership (Collier et al., 2003, 2009; Rohner et al., 2013b,a; Ahlerup et al., 2024). A growing body of literature shows the link between conflict and trust (and co-operation) (Langlotz et al., 2024; Rohner et al., 2013a; Cassar et al., 2013; Hager et al., 2019; Cecchi and Duchoslav, 2018; Rubio-Ramos, 2024; Bellows and Miguel, 2009; Blattman, 2009; Voors et al., 2012; Bauer et al., 2014; Gilligan et al., 2014; Cecchi et al., 2016; Bauer et al., 2016). More specifically, the existing literature shows that armed conflict erodes trust in local and central government (De Juan and Pierskalla, 2016; Voors and Bulte, 2014; Bauer et al., 2016; Deglow and Sundberg, 2021) and these effects can persist for long periods (Voors and Bulte, 2014). Considering the role of local leadership in implementing effective peacebuilding efforts, the delivery of essential public goods and services, accelerating post-conflict recovery, and preventing potential plunges back into conflict ("war trap")(Blattman, 2009; Rohner et al., 2013b; Voors and Bulte, 2014), identifying instruments that can rebuild trust and social cohesion in post-conflict settings remains critical. This is particularly important in the context of Africa where armed conflicts are rising and many of which are increasingly protracted with dire implications to individuals, households, local institutions, and communities (Brück et al., 2019; Hodler, 2019; Verwimp et al., 2019; Justino, 2009; Corral et al., 2020; Shemyakina, 2022; Davies et al., 2023; Obermeier and Rustad, 2023).[1] Yet, this is one of the least understood topics in the literature on conflicts, their associated impacts on economies and societies and recovery efforts (Rubio-Ramos, 2024; Voors and Bulte, 2014).

Building on a recent and large-scale armed conflict in Ethiopia, we study the impact of a randomized community-based cash transfer program on trust in local leadership. The community-based cash transfer was introduced in 2023, three years after the onset of a large-scale armed conflict

[1] In 2023, there were 59 armed conflicts, more than any other year since the end of World War II, and about half of them were in Africa (Obermeier and Rustad, 2023). In 2022, there were more than 204,000 battle-related deaths associated with state-based conflicts in Ethiopia and the Russia-Ukraine war (Davies et al., 2023).

in northern Ethiopia, and it involves distribution of (one-time) unconditional cash transfers to rural households in the form of social assistance. The case of Ethiopia and our research design offer several attractive features. First, after experiencing remarkable progress and economic growth over the last two decades, Ethiopia entered into a devastating large-scale armed conflict on November 2020.[2] The armed conflict created a major humanitarian crisis (World Food Program, 2022), disrupting the social fabric among communities and ethnic groups (U.S Department of State, 2023). The fact that federal, regional, and local armies (and militia) were involved in the conflict implies that the war could shape and affect trust in leadership at various levels. Second, after the *Pretoria Peace* agreement between the warring parties in the conflict in northern Ethiopia was signed in 2022, the federal and regional governments, in collaboration with development partners, are promoting ambitious recovery plans to rebuild livelihoods and institutional infrastructure, which are severely affected by the armed conflict. This includes rebuilding trust and rehabilitating communities affected by the conflict as well as reintegrating ex-combatants. These efforts and initiatives require rigorous evidence and institutional experiments to inform their design and delivery of programs, especially about what works and under which circumstances. Beyond Ethiopia, rigorous evidence on the impact of alternative instruments to rebuild trust in local leaders can inform rehabilitation efforts in other contexts grappling with the adverse effects of armed conflict. Third, the targeting and delivery of randomly assigned community-based cash transfer involved local community leaders, some of whom may have been involved in the conflict. Finally, the design of the community-based cash transfer allows us to study alternative transfer sizes and allocation rules as well as heterogeneous responses among different groups of households, including those receiving actual transfer and those not deemed needy.

Our study and data cover most regions of Ethiopia, affording us substantial spatial and temporal variation in exposure to armed conflict as well as exogenous variation in access to a community-based cash transfer. We build on a comprehensive pre-conflict survey conducted in 2019. From this baseline survey, we select 180 communities for our field experiment. We then randomly assign these communities into four experimental arms (three treatments and a control group). The three treatment arms belong to the community-based cash transfer program but vary according to their transfer sizes and targeting mechanisms. During the implementation of the intervention, we collaborate with community leaders to identify the most deserving households

[2]The war initially started in Tigray, causing massive loss of life and infrastructural damages, but it quickly spread to neighboring regions. Initially, the war involved the Tigray regional forces and an alliance of the federal army, regional forces from neighboring Amhara and Afar regions. The conflict escalated when neighboring Eritrean forces joined the alliance led by the Ethiopian federal army (Davies et al., 2023; Obermeier and Rustad, 2023).

under varying targeting conditionalities. These community leaders played a crucial role in both identifying beneficiary households and distributing the cash transfer. Thus, in this paper, we focus on trust in local leaders, particularly trust in district (*woreda*) and village (*kebele*) leaders, who play major roles in the delivery of public goods and services to community members.[3] The data for this study come from two sources: (i) a large panel household-level data collected from approximately 3000 households in 2019 (baseline) and 2023 (follow-up), and (ii) geo-referenced data on the timing and location of different conflict events from Armed Conflict Location and Event Data (ACLED). The availability of pre-conflict data offers us a unique opportunity to track and examine trust in various actors before and after the conflict in a difference-in-difference setting.

We observe several interesting findings. First, armed conflicts significantly erode trust in local leadership. Second, the community-based cash transfers significantly mitigate the adverse effects of armed conflict on trust in local leaders. Third, while our data does not allow us to directly test the underlying mechanisms through which the community-based cash transfers affect trust in local leadership, evidence points to changes in community perceptions about the quality of local leaders and prosocial preferences as potential mechanisms. We provide suggestive evidence that the mitigative impacts of community-based cash transfers are driven not only by those receiving the cash transfer but also by non-beneficiary households located in treatment communities. Although non-beneficiary households in treatment villages report deterioration in trust, this was reversed for those living in conflict-affected areas. These changes in trust in local leaders by both beneficiary and non-beneficiary households may suggest that households in treatment communities perceive the cash transfer as a signal of leaders' redistributive preferences, good intentions, and ability to deliver public goods, resulting in higher confidence and reciprocity among treatment communities (Finan and Schechter, 2012; Manacorda et al., 2011). Fourth, we document some important heterogeneity across households, particularly as it relates to socioeconomic status and previous participation in safety net programs, which provide food or cash to needy households. Our findings suggest that the treatment effects are more pronounced among poor households and those who did not benefit from government safety net programs. The findings in this paper have important policy implications and highlight the potential role of such interventions in rebuilding trust in local governance in fragile settings. Given that the size of the community-based cash transfer in our study was relatively small, our findings suggest that governments and humanitarian organizations aiming to rebuild trust and social cohesion in

[3] *Kebele* is the lowest administrative unit in Ethiopia

post-conflict settings may consider participatory and inclusive community-based interventions (including cash transfers) to rebuild trust in local leadership.

Our main contributions are threefold. First, our paper presents evidence on the impact of community-based cash transfers on trust in local leadership in conflict-affected settings. While previous studies show that social protection programs and cash transfers enhance trust in institutions and among community members in normal settings (Attanasio et al., 2015; Evans et al., 2019; Evans and Kosec, 2023; Mesfin and Cecchi, 2023; Kosec and Mo, 2024; Manacorda et al., 2011), whether such instruments can effectively serve in conflict-affected settings is unclear.[4] Our paper, therefore, deviates from these studies and dives into the nexus between cash transfer programs, trust in leaders and conflict. Second, most of the above studies investigate the impact of cash transfers on trust in local leadership among beneficiary households, and what happens to non-beneficiary households located in treatment communities remains understudied. Our experimental design allows us to study the response of both beneficiary and non-beneficiary households in treatment communities and associated dynamics in trust in local leadership. This is particularly crucial because most social protection programs target a small share of households in communities and what happens to the remaining and larger share of non-beneficiary households merits investigation. If the community-based cash transfer we introduce is poorly targeted, it may result in community-wide unintended consequences of eroding trust in local leadership and undermine the delivery of public goods and services.[5] Indeed, some evolving studies highlight that cash transfers can trigger negative psychological spillover effects to non-beneficiary households (McGuire et al., 2022; Haushofer et al., 2015; Baird et al., 2013) and harm communal social cohesion (Idris, 2017; Della Guardia et al., 2022). Third, the paper adds empirical evidence about the effect of conflict on trust using recent large-scale armed conflict data from Ethiopia. Previous studies find that conflict negatively affects trust in local and central government (De Juan and Pierskalla, 2016; Voors and Bulte, 2014; Bauer et al., 2016; Deglow and Sundberg, 2021; Rohner et al., 2013a; Cassar et al., 2013; Hager et al., 2019; Cecchi and Duchoslav, 2018; Rubio-Ramos, 2024). More generally, evidence about the impact of conflicts on social trust and prosocial behavior remains mixed: some show that conflicts erode trust (Rohner et al., 2013b; Cassar et al., 2013; Hager et al., 2019; Cecchi and Duchoslav, 2018; Rubio-Ramos, 2024), while others argue that they foster trust and prosocial behavior (Bellows and Miguel, 2009; Blattman, 2009; Voors et al., 2012; Bauer et al., 2014; Gilligan et al., 2014;

[4]Findings from other studies show that targeted social protection and cash transfer programs may not always improve trust and political support (Ellis and Faricy, 2011; Imai et al., 2020)

[5]While community-based targeting is widely used, it can be vulnerable to elite capture or nepotism (Devereux, 2021; Bardhan and Mookherjee, 2005; Basurto et al., 2020; Conning and Kevane, 2002).

Cecchi et al., 2016; Bauer et al., 2016).[6] Our paper also speaks to the literature on factors shaping post-conflict trust in local governance and political leadership. Previous studies show that compliance to peace agreements by stakeholders (Hartzell and Hoddie, 2003), quality of local service provision (Hutchison and Johnson, 2011; Sacks and Larizza, 2012; Wong, 2016), institutional capacity (Hutchison and Johnson, 2011; Bakaki and Dorussen, 2023), citizens' sense of security (Bakke et al., 2018), and transitional justice delivery (Kitagawa, 2023) are key determinants of post-conflict political trust. Our finding adds that effective delivery of public goods and services by community leaders, including community-based cash transfers, can contribute to rebuilding trust in local leadership in post-conflict settings.

The rest of the paper is structured as follows. Section 2 describes the context, experimental design, and procedure. Section 3 discusses the data used in the paper and measurement of key variables of interest. Section 4 outlines the empirical strategy, while section 5 presents and discusses the main results, including robustness checks and impact heterogeneity, respectively. Section 6 offers some concluding remarks.

2. Context and Experimental Design

2.1. Context

The political landscape and events that unfolded over the last decade in Ethiopia are important to understand and interpret the data and results in this study. Ethiopia witnessed significant and consecutive economic growth, coupled with relative stability for about three decades up to 2018 (Bachewe et al., 2018; Dercon, 2022). During this time, Ethiopia was led by an alliance of political parties that formed the Ethiopian People's Revolutionary Democratic Front (EPRDF). The EPRDF regime faced major resistance and protests between 2015 and 2018, which led to regime change and the arrival of the current Prime Minister Abiy Ahmed in 2018 (Forsén and Tronvoll, 2021; Tronvoll, 2022; Hirvonen et al., 2024a). Immediately, the alliance that formed the EPRDF was dissolved and replaced by the current ruling party, Prosperity Party. This process led to confrontation among the parties which formed the EPRDF, which ultimately led to a devastating armed conflict. The confrontation between the Federal government and the regional government of Tigray led to a full-blown war in November 2020. This war, which

[6] One potential explanation is the difference in trust levels among conflict-exposed individuals towards in-group and out-group members. However, this distinction does not fully account for the varied effects of conflict exposure on trust and prosocial behavior. For instance, some studies document that conflict exposure decreases trust towards both in-group and out-group members (Cassar et al., 2013; Rohner et al., 2013a; Hartman and Morse, 2020; Kıbrıs and Cesur, 2023).

started in Tigray, involved major state-actors from both sides of the conflict. The war involved the Tigray regional forces and an alliance consisting of the federal army, regional forces from neighboring regions of Ethiopia, and neighboring Eritrean forces. This conflict led to a major humanitarian crisis in the region (World Food Program, 2022; Abay et al., 2023b; OCHA, 2024). The war quickly spread to neighboring regions, mainly Amhara and Afar, causing massive displacement and loss of life. This conflict is argued to be one of the deadliest conflicts in the 21st century, claiming more than 600,000 people (Financial Times, 2022). Because of this conflict and other compounding crises about 21.4 million people in Ethiopia require humanitarian assistance (OCHA, 2024).

The war has some unique features that merit enumerating. First, it involved several state and non-state actors, including the federal military as well as regional security forces and associated militias. Second, beyond the active confrontation in battle fields, warring parties mobilized their "constituencies" and local institutions and infrastructure to support their fight. While the federal government mobilized regional security forces and regional bureaucracies to support the federal military, the regional government of Tigray mobilized their government infrastructure to support their regional army. On both sides, local government officials and local communities were actively used to mobilize resources to support the fight. Third, the armed conflict broke out across ethnic lines and involved ethnically organized actors, with some conflicts motivated and fueled by claims and counterclaims over territorial control. Fourth, even for those individuals not actively involved in the conflict, it displaced many people from their livelihoods because of ethnic-based clashes and arrests. Because of these features, the conflict in Ethiopia has far reaching implications beyond the loss of life described above. The conflict triggered massive media campaigns and contested narratives, including about how the conflict started. Even for those far from the active conflict, the social fabric and networks have been disrupted due to the displacement, arbitrary arrests, and ethnic-based harassment witnessed in the aftermath of the conflict (U.S Department of State, 2023; EHRC-OHCHR, 2021). Ethiopia is an ethnically diverse country, and divisive messages and narratives spewed by the leaders of the warring parties have further entrenched ethnic divisions (U.S Department of State, 2023; EHRC-OHCHR, 2021). Anecdotal evidence suggest that the conflict has affected trust between community members as well as trust in local leaders and institutions.

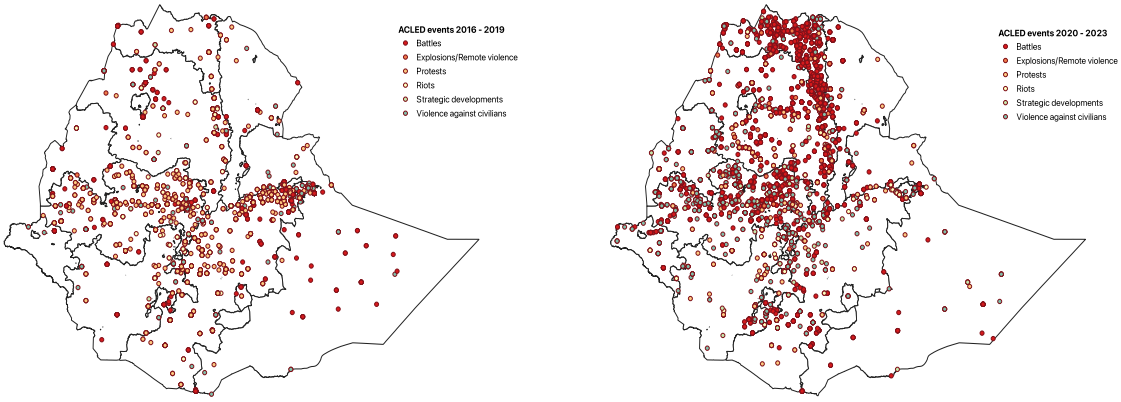
Using Armed Conflict Location and Event Data (ACLED), we assemble the distribution of conflict events across all regions of Ethiopia three years before and after the outbreak of the

armed conflict in northern Ethiopia. The ACLED database provides detailed information on six types of conflict events: battles, protests, riots, explosions/remote violence, violence against civilians, and strategic developments. The first graph in Figure 1 shows the distribution of conflict events before the outbreak of the armed conflict in northern Ethiopia (2016-2019) while the second graph shows corresponding patterns for the period after the outbreak of the armed conflict in northern Ethiopia (2020-2023). Three patterns are worth noting in relation to Figure 1. First, protests and violence against civilians dominate conflict events during the 2016–2019 period, which are likely related to the resistance against the EPRDF regime that ultimately led to regime change in 2018. These protests and riots were concentrated in Ethiopia's two most populous regions, Amhara and Oromia, which were the epicenter of youth-led resistance against the EPRDF regime.[7] Second, battles were sparsely and evenly distributed across all regions before November 2020. Third, the second panel in Figure 1 confirms the dramatic spike in battle events, the vast majority of which were confined to northern Ethiopia (Tigray and Amhara). Indeed, the second graph shows that these battles covered almost all parts of Tigray, a substantial part of Amhara, and some parts of Oromia. While the conflict between the Federal army and the Tigray regional forces ended after both warring parties agreed to a "permanent cessation of hostilities" in November 2022 through the *Pretoria Agreement*, there are still some on-going conflicts in Amhara and Oromia. Indeed, there was active conflict in Amhara and Oromia between the federal government and armed groups during the 2023 data collection.[8]

In addition to the conflict in northern Ethiopia, the rest of the Ethiopian regions have experienced major political changes in the last five years, which may affect trust in local leadership. Before the armed conflict in northern Ethiopia and especially before the baseline survey, much of Amhara and Oromia experienced widespread protests and violence against civilians. However, the regime change in 2018 may have generated some level of optimism in some regions, which may affect trust in local governance in the pre-conflict 2019 survey. In contrast, regions such as Tigray witnessed relative stability during this period. Even more recently, some regions have experienced major restructuring and decentralization. For example, the Southern Nations, Nationalities, and Peoples' Region (SNNPR) was dissolved and split into four regions in the last four years: Sidama Region, Southwest Ethiopia Region, South Ethiopia Regional State, and Central Ethiopia Regional State. This split was driven by popular demand and protests, which ultimately led to successive referendums occurring between 2020 and 2023. The dissolu-

[7] These protests and riots are likely to have varying implications on trust in local governance.
[8] See Gesesew et al. (2021); Kumar et al. (2022); Abay et al. (2023b); ACLED (2023); Nyssen et al. (2023) for additional discussion on the conflict in northern Ethiopia.

tion of the SNNPR led to a major overhaul and decentralization of government bureaucracies for significant portions of the population, which may shape trust in local leadership. Other regions in Ethiopia, such as the Somali region, have witnessed changes in leadership after the 2018 regime change and experienced relative stability over the last 4-5 years, which may also affect trends in trust in local leadership.



(a) Conflict events between 2016 - 2019 (b) Conflict events between 2020—2023

Figure 1: Distribution of conflict events. Source: Authors' compilation based on ACLED data.

2.2. Experimental Design and Procedure

2.2.1. Experimental design

The experimental design builds on a large baseline household survey conducted in 2019. The original baseline sample covers 264 Enumeration Areas (EAs) across six regions of Ethiopia. About 20 households were randomly selected from each EA to be included in the baseline sample and data collected in 2019. We implement the cash transfer intervention in 180 EAs accessible for both the intervention and a follow-up survey in 2023.[9] The intervention involved one-time provision of unconditional cash transfers as a form of social assistance. The experiment employed a community-level clustered randomization approach. To identify beneficiaries in each EA, we collaborate with community leaders using various targeting approaches that differed in budget size, selection criteria, and allocation rules. The 180 communities were randomly assigned into either the control group or one of the three treatment arms. The treatment assignments were guided by two factors: (i) the size of transfer budget for each community (either 10,000 Ethiopian Birr or 20,000 Ethiopian Birr)[10] and (ii) the level of discretion given to

[9]Remaining EAs and villages were deemed inaccessible because of security and related risks for enumerators.

[10]Birr is Ethiopian currency, and at the time of the 2023 survey, 1 USD=56 ETB. While the size of the transfers are not large, they are higher than the transfers in the actual Productive Safety Net Progrma (PSNP) program,

community leaders, with some communities following a rule-based approach and others allowing for leaders' discretion in the targeting process. As illustrated in Figure 2, about 29% of the communities (53 communities) were assigned to the control group (C), while the remaining 71% (127 communities) were assigned to one of the three treatment arms: rule-based cash transfer with 10,000 ETB (T1), rule-based cash transfer with 20,000 ETB (T2), and discretionary targeting with 20,000 ETB (T3). [11] Below we describe the different treatment groups.[12]

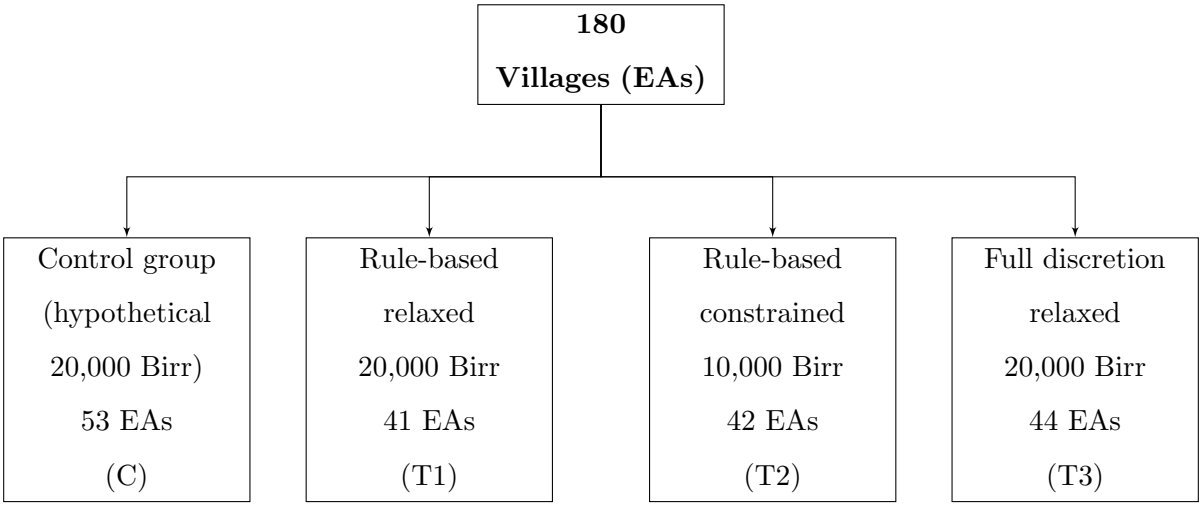


Figure 2: Random assignment of EAs across treatment and control groups

C - Control group (Hypothetical transfer of 20,000 ETB)

In this group, no actual transfers were made and hence this group serves as control group. However, community leaders were asked to allocate a hypothetical budget of 20,000 Ethiopian Birr among 20 households within their community. In this group, leaders first ranked the 20 households in their village based on their need for social assistance and then assigned the hypothetical funds accordingly. No actual transfers were made, and none of the households were informed about the hypothetical allocation. [13] The cash transfer allocation process required leaders to adhere to strict pre-defined criteria set by the research team, which mirrored the targeting criteria of Ethiopia's flagship social assistance program, the Productive Safety Net Program (PSNP) (Gilligan et al., 2009; Hoddinott et al., 2012; Abay et al., 2022). Specifically, they were instructed to prioritize households that: (i) struggle to meet basic food needs, (ii) own

which was about 1000 ETB (or 15 kg of cereal and 4 kg of pulses per person per month (Sabates-Wheeler et al., 2022)

[11] Our sample is determined based on power calculation assuming conventional level of power (80%), significance level (5%). Other parameters including intra-cluster correlation are calculated based on the baseline data.

[12] Further details about the targeting process and steps are given in Abay et al. (2024).

[13] Note that the community leaders in both the treatment and control groups are not included in the data analysis.

few or no assets (e.g., livestock and land), (iii) have limited income-generating opportunities, (iv) have lost productive assets due to shocks such as conflict or drought, and (v) have recently lost family members.

T1 - Rule-based targeting with constrained budget (10,000 Birr)

In this group, community leaders were given an actual cash transfer of 10,000 Ethiopian Birr (roughly 180 USD). Community leaders were tasked with ranking households according to the five specific targeting criteria described above and distributing the funds among 20 households in the sample. This treatment involved real cash transfers. Together with the enumerators, the community leaders played a major role in the identification of beneficiaries and delivery of the cash transfers to beneficiaries.

T2 - Rule-based targeting with relaxed budget (20,000 Birr)

Communities in this group were given a relaxed budget of 20,000 Ethiopian Birr (around 360 USD) to distribute among 20 households within each enumeration area. The allocation was guided by the same five targeting criteria used in Treatment 1. This treatment arm was designed to assess the impact of (relaxing) budget constraints on the distribution and allocation of social assistance.

T3 - Discretionary targeting with relaxed budget (20,000 Birr)

In this treatment group, community leaders were given full discretion to decide how to target and rank households for the cash transfer. Unlike the rule-based approach followed in Treatments 1 and 2, community leaders were allowed to develop and apply their own criteria for ranking beneficiaries. Community leaders in this group received a real cash transfer of 20,000 Ethiopian Birr for distribution.

2.2.2. Experimental procedure

The community-based cash transfer experiment was carried out in the fall of 2023. To mirror actual targeting practices in national safety net programs in Ethiopia, such as the targeting practice in the largest social protection program in Ethiopia, the Productive Safety Net Program (PSNP), six community leaders were selected from each community, representing diverse roles: (i) a *kebele* leader or member of the *kebele* leadership, (ii) an *elder* man/woman, (iii) a *religious* leader, (iv) a *women's* representative, (v) a *teacher*, *development agent*, or *extension worker*, and (vi) a *youth* representative. Interestingly, most of the community leaders in our

sample had prior experience of targeting, with most having previously participated in targeting activities for the PSNP.[14]

The implementation of the community-based cash transfer experiment involved the following steps. First, community leaders were invited to public schools or local government offices. Upon arrival, they were informed about their participation in a comprehensive community survey and a community-based cash transfer experiment. We obtained informed consent from all community leaders prior to participating in both activities. Leaders then completed a community-level survey, collecting a wide range of attributes about their respective communities. Next, enumerators provided community leaders with detailed instructions about the experimental protocol. This was followed by giving community leaders a list of approximately 20 households surveyed in 2019 to rank them based on their need for social assistance and following pre-determined criteria, except in the third treatment arm where community leaders rank households based on their own collectively agreed-upon criteria. Once the rankings were finalized, leaders allocated funds accordingly. The disbursement of the allocated transfer took place the following day, with both leaders and beneficiaries signing a concurrence note to confirm receipt to minimize the risk of fund misappropriation. The actual distribution of the cash was jointly conducted by enumerators and community leaders. It is important to note that while the funding comes from an external program, the key power rests in local community leaders as they are the ones who select beneficiaries and distribute the transfers. This mirrors the implementation of development and social transfer programs in Ethiopia where community members know the role of local leaders in these programs and that this is implemented in coordination with district leaders.

3. Data, Balance Test, and Descriptive Statistics

3.1. Data and balance tests

The data for this paper come from two sources: a panel household survey and geo-referenced conflict data. The household surveys were conducted in 2019 (baseline) and 2023 (follow-up), and these surveys cover most regions of Ethiopia. The 2019 household survey was originally designed to evaluate the U.S. Agency for International Development (USAID)'s Feed the Future (FtF) program, which spread across 132 *woredas* (districts) and six regions (Afar, Amhara, Oro-

[14]For example, as reported in Abay et al. (2024), more than half of the community leaders included in the targeting process have prior experience in the targeting of social assistance, including in the targeting of the PSNP.

mia, SNNP, Somali, and Tigray) of Ethiopia. Households were selected following a two-stage stratified sampling procedure. First, two Enumeration Areas (EAs) were randomly selected from each *woreda* which resulted in a total of 264 EAs. In the second stage, 20 households were randomly chosen from a complete list of households in each of the 264 EAs, yielding a total sample of 5,280 households, of which 5,189 were successfully interviewed during the baseline data collection. However, given the ongoing conflicts in Ethiopia, only 180 of the original 264 EAs were identified to be accessible and safe for the follow-up survey conducted in 2023. As a result, the target sample for the follow-up survey comprised these 180 EAs, with 20 households selected from each EA, leading to a sample of about 3,600 households. Of these, approximately 3,081 households were revisited and re-interviewed in 2023, with the remaining being unavailable for the interview for various reasons (Figure A1 in the appendix shows the distribution of households in our sample).

Table 1 reports mean comparisons and associated pairwise t-tests across the control and three treatment groups. It shows that at baseline (four years before the implementation of the community-based cash transfer experiment) our sample is balanced across the treatment and control groups, indicating the randomization was successful. Specifically, the test results show that key demographic and geographic factors as well as wealth indicators are well-balanced at the baseline. Additionally, baseline levels of trust in local leadership, trust in *kebele* and *woreda* leaders, are balanced. We do not find significant differences in conflict exposure across the control and treatment groups before and after the cash transfer intervention. One potential challenge is related to selective mobility and changes in ethic composition of the communities given that conflict involves an ethnic dimension. In this regard, We also check the attrition rates and whether attrition systematically differs between the control and treatment groups. Table A1 in the appendix shows that attrition rates are not significantly different between the control and treatment groups. The household level attrition rate is approximately 15 percent. Please not that the attrition is between the baseline and endline surveys, not between the implementation of the cash transfer and endline survey.[15]

In Table 2 we report the results of the targeting processes as reflected by the distribution of the cash transfer across households. Panels A and B of Table 2 show share of households that

[15]Considering the follow-up survey was conducted four years later and after a prolonged conflict in several parts of the country, this attrition rate is reasonable. However, the overall attrition rate, including both community-level attrition (because of six communities which were included in the cash transfer proved to be inaccessible for the follow-up household survey due to insecurity) and household-level attrition (because we were not able to track households) is about 20 percent.

were identified to be eligible to receive some cash transfer and the average amount allocated to each household across the four groups. Panel A shows that, about 80 percent of respondents were identified to be eligible to receive cash transfer, indicating the program's coverage and relative success in reaching out a substantial majority of beneficiaries. Compared to previous participation rates in safety net program, this is large and suggests community leaders intention to maximize the reach of the transfer even at the expense of thinly spreading the budget across beneficiaries. Panel B highlights that the average transfer per household was 1064 Ethiopian Birr (about 20 USD), which constitutes approximately 70 percent of the monthly per capita expenditure of households reported in Table 1. We note that while the eligible households in the three treatment arms receive the actual transfer, those in the control (hypothetical) group did not receive transfer although they were identified eligible.

Table 1: Balance test between treatment and control groups

	(1) Control group Mean(SE)	(2) Discretionary Mean(SE)	(3) Rule-based 10k Mean(SE)	(4) Rule-based 20k Mean(SE)	t-test P-value (1)-(2)	t-test P-value (1)-(3)	t-test P-value (1)-(4)
Male headed household	0.76	0.77	0.75	0.76	0.87	0.33	0.97
	(0.01)	(0.01)	(0.02)	(0.02)	93		
Age of the household head	46.56	46.13	46.75	45.67	0.75	0.88	0.46
	(0.93)	(0.98)	(0.77)	(0.77)	93		
Education of household head	2.88	2.55	2.66	2.86	0.35	0.56	0.95
	(0.26)	(0.24)	(0.28)	(0.32)	93		
Urban	0.15	0.11	0.13	0.08	0.57	0.81	0.26
	(0.05)	(0.05)	(0.05)	(0.04)	93		
Distance to nearest town (km)	6.87	7.03	6.82	6.57	0.73	0.92	0.51
	(0.31)	(0.36)	(0.32)	(0.33)	93		
Poor household (national PV)	0.30	0.26	0.35	0.28	0.36	0.29	0.59
	(0.03)	(0.04)	(0.04)	(0.03)	93		
Wealth index	2.97	2.82	3.00	3.18	0.51	0.90	0.34
	(0.15)	(0.16)	(0.18)	(0.17)	93		
Tropical livestock unit	3.47	4.15	3.85	3.13	0.21	0.49	0.47
	(0.36)	(0.41)	(0.41)	(0.32)	93		
PSNP status	0.29	0.25	0.30	0.26	0.50	0.98	0.58
	(0.04)	(0.05)	(0.04)	(0.04)	93		
Per capita expenditure	49.15	55.78	45.65	52.31	0.16	0.40	0.47
	(2.85)	(3.73)	(3.05)	(3.35)	93		
Trust institution standardize (std)	0.27	0.23	0.27	0.32	0.35	0.90	0.36
	(0.03)	(0.03)	(0.03)	(0.04)	93		
Trust in kebele leader	0.30	0.26	0.29	0.36	0.37	0.73	0.22
	(0.03)	(0.03)	(0.03)	(0.04)	93		
Trust in woreda leader	0.30	0.27	0.32	0.37	0.42	0.77	0.20
	(0.03)	(0.03)	(0.03)	(0.04)	93		
Battle events 2016 - 2019							
Number of battles 10km (in 10s)	0.04	0.02	0.02	0.06	0.49	0.45	0.62
	(0.02)	(0.01)	(0.01)	(0.03)	93		
Number of battles 15km (in 10s)	0.08	0.06	0.07	0.13	0.53	0.79	0.40
	(0.04)	(0.02)	(0.04)	(0.05)	93		
Number of battles 20km (in 10s)	0.14	0.09	0.09	0.22	0.44	0.51	0.40
	(0.05)	(0.03)	(0.05)	(0.08)	93		
Battle events 2020 - 2023							
Number of battles 10km (in 10s)	0.19	0.26	0.40	0.31	0.45	0.10*	0.38
	(0.07)	(0.07)	(0.11)	(0.12)			
Number of battles 15km (in 10s)	0.40	0.63	0.70	0.57	0.25	0.21	0.52
	(0.10)	(0.17)	(0.22)	(0.24)			
Number of battles 20km (in 10s)	0.75	0.79	1.02	0.95	0.88	0.43	0.56
	(0.18)	(0.20)	(0.30)	(0.30)			

Notes. This table reports compares household baseline characteristics, trust in district and village leaders, and battle events across the control and three treatment arms. Columns (1) through (4) report mean values and standard errors. The last three columns report p-values from pairwise comparisons and t-tests. Standard errors are clustered at village (kebele) level (the level at which the randomization was conducted), *** p<0.01, ** p<0.05, * p<0.1.

Table 2: Share of respondents who received transfers and amount of transfer

Panel A: Share of respondents with access to the transfer

Treatment group	Mean	SD	N
Control group	0.78	0.42	847
Rule-based 10K	0.74	0.44	677
Rule-based 20K	0.82	0.39	661
Discretionary	0.87	0.34	722
Total	0.80	0.40	2,907

Panel B: Average amount of transfer allocated to households

Treatment group	Mean	SD	N
Control group	1241.50	666.27	658
Rule-based 10K	669.43	410.83	501
Rule-based 20K	1134.74	591.78	540
Discretionary	1130.58	859.82	625
Total	1063.54	697.55	2324

Notes. Panel A shows the share of households who received cash transfer across the control (hypothetical transfer) and three treatment arms. Columns (1) and (2) report mean values (with standard errors), while the last column reports the number of observations who received cash transfer. Panel B reports the average amount of transfer received by households across the control (hypothetical transfer) and three treatment arms. Columns (1) and (2) report mean values (with standard deviations).

3.2. Measuring exposure to conflict

We measure households' exposure to conflict using ACLED, a widely used dataset for studying the implications of various types of conflict events (Raleigh et al., 2010; Blattman and Miguel, 2010; Brück et al., 2019; Abay et al., 2023b; Nigus and Abay, 2024). The ACLED database provides detailed information on conflict events, including battles, protests, riots, explosions/remote violence, violence against civilians, and strategic developments. Figure 1 illustrates the distribution of conflict events between 2016–2019 and 2020–2023, capturing periods before and after the large-scale conflict in northern Ethiopia. In this paper, we measured households' exposure to conflict based on their exposure to battle events because battles were the dominant conflict events between the two survey rounds. To quantify households' exposure to conflict, we calculated the proximity of battle events within various radius distances from households' residence, including 5, 10, 15, and 20 kilometers. This approach allows us to examine the localized impacts of conflict across different scales. For our main results, we focus on battles realized within a

15-kilometer radius of households' residence while reporting additional results using different buffer zones. We note that measurement of exposure to battles can suffer from measurement error due to under-reporting or inaccurate reporting of locations (Rockmore and Barrett, 2022; Weidmann, 2015, 2016). We opted for a relatively larger buffer zone, 15-km radius, to reduce some of these errors or their systematic nature. However, defining a larger buffer zone may still lead to some aggregation bias (Rockmore and Barrett, 2022).

3.3. Measuring trust in local leaders

We focus on trust in district (*woreda*) and village (*kebele*) leaders, which form the local leadership in Ethiopia's political administration. *Woreda* and *kebele* leaders are important actors in local governance and community leadership. These officials take administrative responsibility from the government and are the main outlets through which communities can be accessed and collective action mobilized for delivering public goods and services. *Woreda* is the third-level administrative unit while *kebele* is the lowest administrative unit in the Ethiopian context. While the actual delivery of public goods and services at village level is led by village leaders, this is implemented in close coordination with district leaders. We ask households two questions to which households can respond 'Yes' or 'No'. The two questions are phrased as follows: (i) "Does this household believe that *woreda* leaders in this *woreda* will respond effectively to future shocks and stresses"; and (ii) "Does this household believe that *kebele* leaders in this *kebele* will respond effectively to future shocks and stresses" to which households can respond 'Yes' or 'No'. These questions capture respondents confidence on leaders' ability in responding to community demands and thus proxies trust in leadership (Bligh, 2016). We also believe that these questions capture trust in leaders given the context of our study. Based on these two questions, we generated three indicators: (i) trust in both *woreda* and *kebele* leaders, an indicator variable assuming a value of 1 if the household responds 'Yes' to both the first and second questions, and 0 otherwise; (ii) trust in *woreda* leaders, an indicator variable assuming a value of 1 if the household responds 'Yes' to the first question, and 0 otherwise; and (iii) trust in *kebele* leaders, an indicator variable assuming a value of 1 if the household responds 'Yes' to the second question, and 0 otherwise. As shown in Table 1, before the war in northern Ethiopia, trust in local leaders were balanced across both the control and treatment groups.

Figure 5 illustrates changes in trust in local leaders across various regions of Ethiopia between 2019 and 2023 for the control sample. This figure shows important dynamics in the spatial and temporal evolution of trust in local leadership. In 2019, several regions displayed low trust in

local leaders, particularly within Amhara, Oromia, Somali, and SNNPR. In contrast, households in Tigray reported the highest level of trust in local leadership. By 2023, however, the dynamics shifted substantially. Average trust in local leaders show significant improvements in SNNPR and Somali but dropped dramatically in Tigray. Average trust in local leaders in Afar and Amhara remain low and does not show a significant improvement across the years.

The drastic change in the level of trust in local leaders in Tigray is likely driven by the devastating armed conflict, which began in November 2020. This region has been the epicenter of Ethiopia's civil conflict, marked by widespread violence, human rights abuses, and mass displacement (U.S Department of State, 2023; EHRC-OHCHR, 2021). Households in Tigray must have witnessed local leadership's limited ability to protect them from the large-scale war. Escalation and expansion of the conflict into the neighboring Amhara and Afar regions in June 2021 (Abay et al., 2023b; Gesesew et al., 2021) brought new levels of violence and destruction, further destabilizing the northern part of the country with some districts in Amhara regions still experiencing conflict and violence. These conditions might have severely dampened public trust in local leadership in northern Ethiopia. In contrast, the SNNPR and Somali regions experienced different trajectories. SNNPR underwent significant political restructuring, splitting into new administrative units, which may have strengthened decentralization and reshaped public trust in local governance. Meanwhile, relative stability in the Somali region over the past few years may have contributed to the rise in trust in local leadership. These regional differences highlight the different trajectories and dynamics in the evolution of trust in local leadership and governance.

More formally, Tables A2 in the Appendix show the implication of a temporal increase in exposure to conflict and trust in local leadership. The results in Table A2 show that an increase in the number of battle events is negatively and significantly associated with trust in local leadership, including trust in *kebele* (village) and *woreda* (district) leaders. Specifically, ten additional battles within a 15-kilometer radius are associated with a 7-percentage point decrease in trust in *kebele* or *woreda* leaders. The results remain robust after controlling household fixed effects and a battery of controls. The estimation results are also robust for using an alternative measure of exposure to conflict.

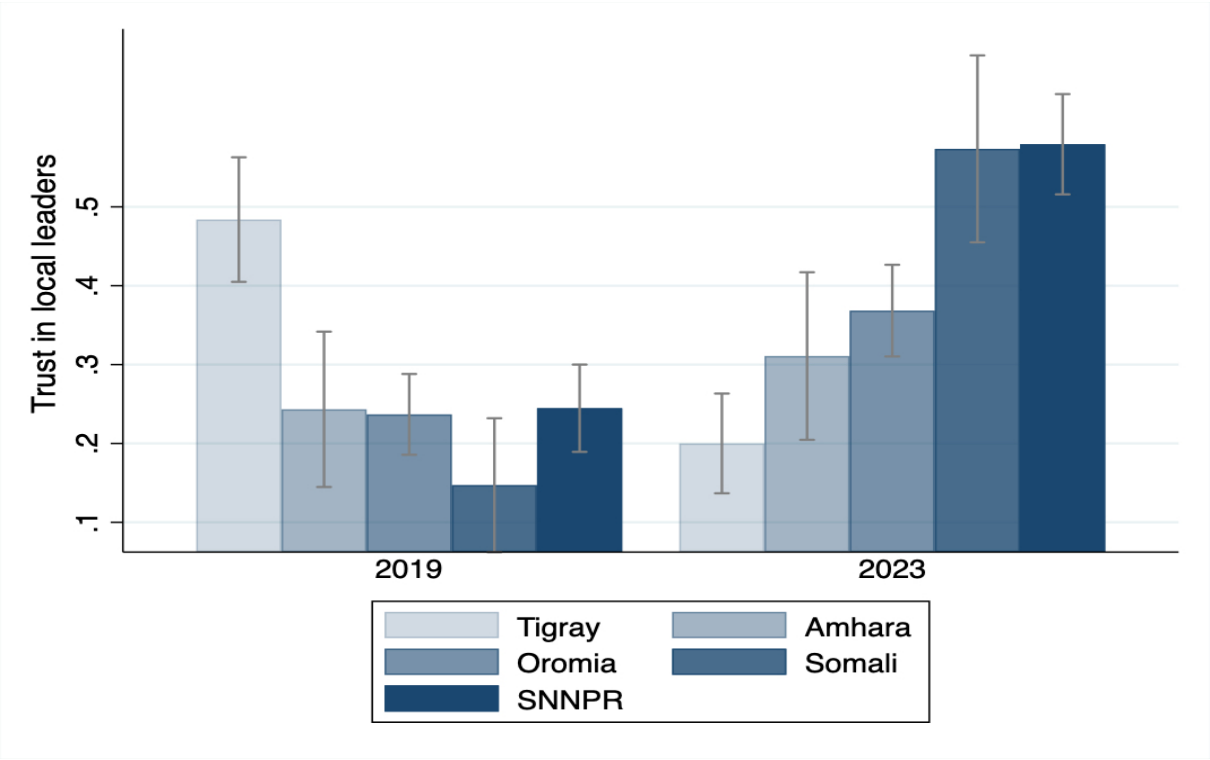


Figure 3: Trust in local leaders by region overtime (control group only)

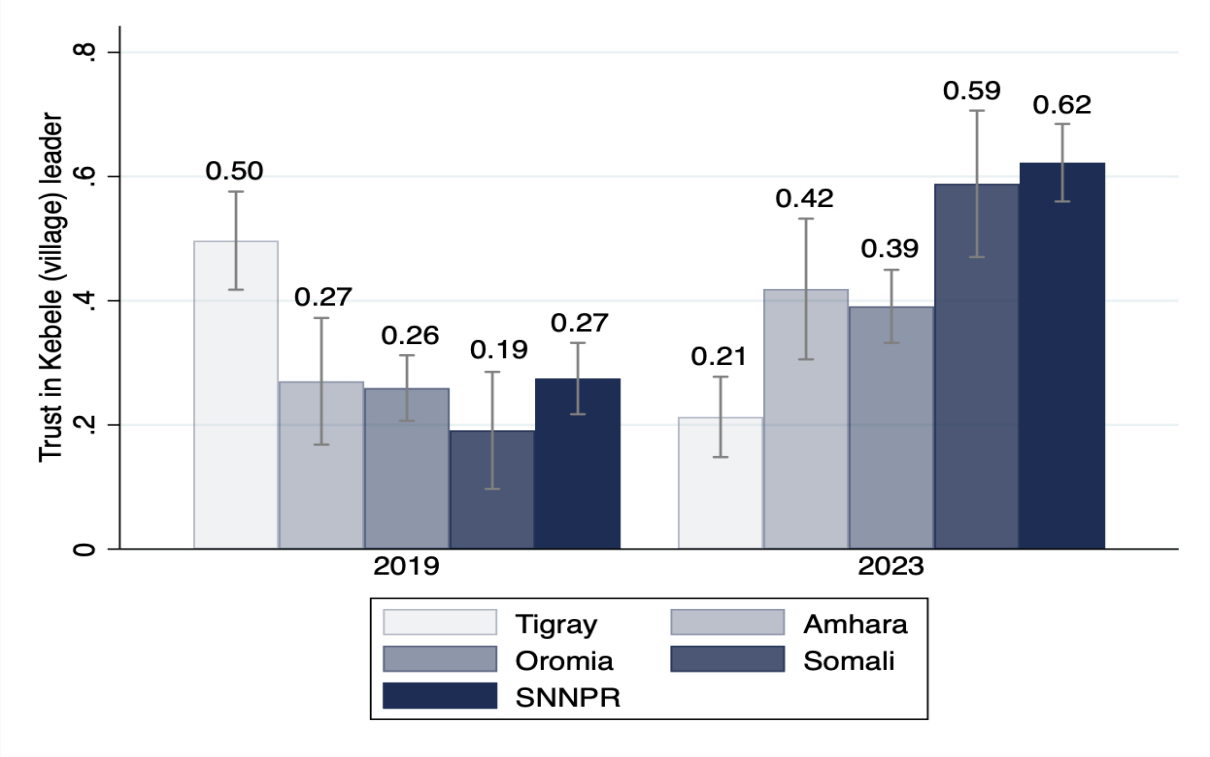


Figure 4: Trust in kebele leaders by region overtime (control group only)

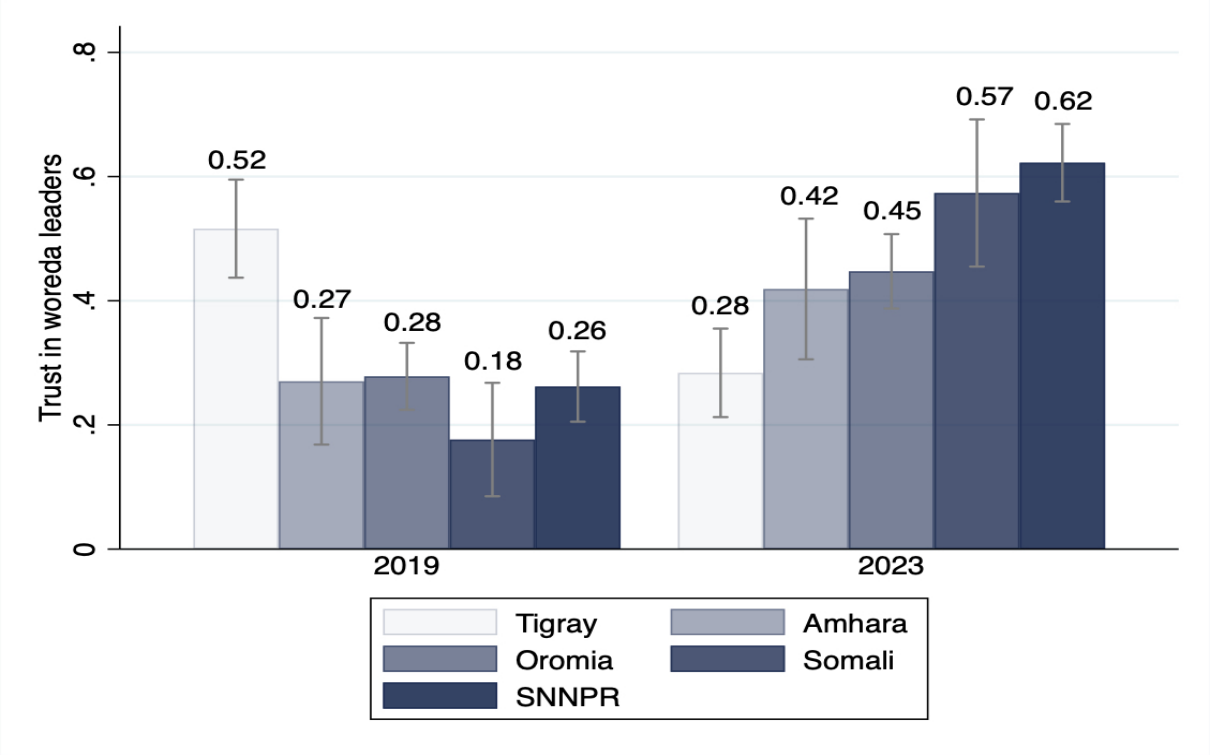


Figure 5: Trust in kebele leaders by region overtime (control group only)

4. Empirical Strategy

We exploit two sources of variation to identify the impact of community-based cash transfers on trust in local leaders: (i) variation in exposure to armed conflict and (ii) variation in community-based cash transfers. Most of the variation in exposure to armed conflict comes from temporal variations in the spread of large scale armed conflicts in Ethiopia across the two rounds of our survey. Clearly, the temporal variations of exposure to armed conflict is not random. As Bauer et al. (2016) underlined, it is impossible to conduct randomized experiments when it comes to conflicts. There are, however, several important features that characterize the armed conflict in our context, which offer unique opportunities for our identification of strategies. First, the scale of the conflict as well as the armed state actors and unarmed actors involved in the conflict make it unique and somehow unpredictable for local communities and ordinary households. Second, given that battles were the most dominant types of conflict in Ethiopia during the study period, we focus on exposure to battles because they are the most consequential form of conflict. Third, although the regions affected by the conflict may have specific characteristics that differentiate them from other regions of Ethiopia, the variation in the timing of battles across households is broadly beyond the control of households. More specifically, even if some villages and associated households may be more vulnerable to armed conflict, the timing of

the outbreak of battles remains difficult to predict and manipulate. Fourth, although specific local communities and local authorities may not be interested in contributing and supporting any of the warring parties, heavy-handed orders from higher authorities imply that lower level governance structures had limited space to endogenously adjust their roles and contributions to the conflict. Nevertheless, we cannot completely rule out endogeneity in the exposure to armed conflict

The second and most important source of variation we exploit in this paper comes from the randomly assigned community-based cash transfers we discussed in Section 2.2. Community leaders played a major role in identifying and distributing the transfers to beneficiary households. While involvement of local community leaders in armed conflict or their inability to protect households may lead to deterioration in trust in local leaders, their involvement in the community-based cash transfer can counteract these adverse effects. Interestingly, the community-based cash transfer we introduced generated three types of exogenous variation: (i) variation in access to the transfer by randomizing communities into treatment and control groups where the latter receives no transfer, (ii) variation in the amount of the community-based transfer and hence the level of transfer households can receive, and (iii) variation in the level of discretion given to community leaders (rule-based targeting versus discretionary targeting). Because of these features, we can test several hypotheses, including whether access to cash transfers as well as the level of transfer matters for rebuilding trust in local leaders in conflict-affected communities. Similarly, the design of our experiment allows us to test whether there are potential spillover effects to households who are deemed ineligible by community leaders.

As we have collected data on the important outcomes pre-and post-conflict, we employ an empirical approach that allows us to exploit: (i) temporal variations in exposure to armed conflict and (ii) randomized spatial variation in access to the community-based cash transfer. Thus, we start by estimating standard difference-in-differences in a two-way fixed effects framework using the following empirical specification:

$$Y_{it} = \alpha_i + \alpha_1 Round_t + \alpha_2 Battle_{it} + \alpha_3 T_i * Round_t + \alpha_4 T_i * Battle_{it} + \Phi_{it} \quad (1)$$

where Y_{it} stands for individuals' trust in local leaders, measured using trust and confidence in village (*kebele*) leaders and district (*woreda*) leaders, all of which are described in Section 3. α_i stands for household fixed effects capturing all time-invariant factors and differences in trust in local leadership across households. $Round_t$ is time dummy assuming a value of 1 for the

post-conflict and 0 for the pre-conflict round. $Battle_{it}$ is a measure of exposure to armed conflict, which we compile from the ACLED database (Raleigh et al., 2010). We focus on exposure to armed conflict in the last three years preceding each survey round. The ACLED database records event-based information for different types of conflicts, including battles, attacks against civilians, remote violence, and protests and riots. Most of these conflict events have intensified recently, especially in Africa (Obermeier and Rustad, 2023; Rustad, 2024). For example, more than half of the conflict incidents recorded by ACLED in Ethiopia during the three years between the two rounds represent battles (Abay et al., 2023b). Thus, we focus on battles as these are the most serious forms of conflict. We use both binary indicators of exposure to one or more battles as well as continuous measures capturing intensive margin of exposure. T_i is a binary indicator assuming a value of 1 for those communities and households assigned to receive an actual transfer and 0 for those communities assigned to the control group. We note that T_i is defined as time-invariant and hence there is no need to include it without interaction in equation 1 because we control for household fixed effects through α_i. ϵ_{it} stands for other unobservable factors explaining differences in trust in local leaders. α_2 captures the overall temporal trend in trust in local leadership. α_2 measures the implication of temporal change for exposure to battles on trust in local leadership. α_3 in equation (2) captures the impact of this assignment on individuals' trust in local leadership while α_4 quantifies the effect of the cash transfers in cushioning the adverse effects of armed conflicts for those affected by these shocks.

However, the impact of the community-based cash transfer may vary depending on the size of transfer. To test this hypothesis, we expand the empirical specification in equation 1 by disaggregating the treatment assignment based on the amount of budget assigned to community leaders (10,000 and 20,000 ETB). For this purpose, we also estimate the following more disaggregated specification:

$$\begin{aligned} Y_{it} = \alpha_i + \gamma_1 Round_t + \gamma_2 Battle_{it} + \gamma_3 T1_i * Round_t + \gamma_4 T2_i * Round_t + \\ \gamma_5 T1_i * Battle_{it} + \gamma_6 T2_i * Battle_{it} + \phi_{it} \end{aligned} \tag{2}$$

where $T1_i$ and $T2_i$ stand for indicator variables for those communities (and households) assigned to receive a constrained budget (10, 000 ETB) and a relaxed budget (20,000 ETB) cash transfer, respectively. γ_3 and γ_4 capture the overall impact of exposure to the relatively small (10, 000 ETB) and modest (20,000 ETB) cash transfers. γ_5 and γ_6 captures the impact of the cash transfer to rebuild the trust in local leadership among individuals affected by armed conflict. Comparing the size of γ_5 and γ_6 can inform whether the size of transfer matters for

rebuilding trust in local leaders.

The impact of the community-based cash transfer on trust may also vary depending on the targeting process and associated performance of the different targeting methods, regardless of the amount of transfer community leaders had to distribute. To test this hypothesis, we estimate a slightly different variant to equation 1 by disaggregating the treatment assignment into both the differing size of the transfer and the targeting methods as follows:

$$\begin{aligned} Y_{it} = \alpha_i + \beta_1 Round_t + \beta_2 Battle_{it} + \beta_3 R10_i * Round_t + \beta_4 R20_i * Round_t + \\ \beta_5 D20_i * Round_t + \beta_6 R10_i * Battle_{it} + \beta_7 R20_i * Battle_{it} + \beta_8 D20_i * Battle_{it} + \epsilon_{it} \end{aligned} \tag{3}$$

where $R10_i$ and $R20_i$ stand for indicator variables for those communities (and households) assigned to receive constrained budget (10,000 ETB) and relaxed budget (20,000 ETB) using rule-based criteria, respectively. $D20_i$ stands for the indicator variable for those communities assigned to the discretionary targeting arm where community leaders were given full discretion to decide on the criteria to distribute the cash transfer to community members. β_3 and β_4 capture the overall impact of exposure to the relatively small (10,000 ETB) and modest transfers (20,000 ETB), respectively. β_6, β_7, and β_8 capture the impact of the cash transfer to rebuild trust in local leaders of individuals affected by armed conflict under varying levels of transfer and conditionality of targeting. Comparing the size of β_6 and β_8 can inform whether the discretionary or rule-based targeting of cash transfers are more effective for rebuilding trust and social capital in conflict-affected settings.

We note that whether a household assigned to the treatment arms receives an actual transfer or not depends on the targeting process and hence decision of community leaders. Thus, some households assigned into the cash transfer intervention may not actually receive the transfer if they are deemed "ineligible" by community leaders. Because of this feature in the design of the community-based cash transfer, the empirical specification in equations 1-3 and associated estimates cannot be interpreted as average treatment effects, rather as intention to treat (ITT). However, the ITT is sufficiently informative given that most cash transfer and safety net programs target the poor or those most affected by shocks. The fact that some households in treatment villages are not receiving actual cash transfer serves us to evaluate what happens to those households deemed "eligible" and "ineligible" by community leaders, compared to similar households in the control group where community leaders were also tasked to identify "eligible" and "ineligible" for a hypothetical cash transfer.

We also explore heterogeneities in the impact of the cash transfer across different observable attributes of individuals. Most importantly, we hypothesize that the impact of the cash transfers may vary across poor and non-poor households. The size of transfers is modest for poor households (relative to their income or consumption expenditure) while it may be negligible for relatively richer households. Similarly, we also anticipate that the effect of the cash transfer may vary across households with previous exposure to safety net programs, and those who are usually "discriminated" or "excluded" from these programs. To test these hypotheses, we estimate equations 1-3 by splitting the sample using previous participation in safety programs, poverty status and gender. Households living in the same community are likely to face similar treatment as well as similar shocks and markets, which can generate spatial correlation of unobserved effects (error terms) across households from the same community. Thus, we cluster standard errors at the village level, which is the level of treatment in our case and hence the usually recommended level of clustering for standard errors (Abadie et al., 2023).

5. Empirical Results and Discussion

5.1. Conflict, cash transfer, and trust in local governance

In Table 3 below, we summarize the estimated results for our model in equation 1. Columns (1) and (2) present estimated results for the aggregate indicator capturing trust in district (*woreda*) and village (*kebele*) leaders with and without controlling for household and demographic characteristics. The dependent variable in columns (1) and (2) is a binary variable assuming a value of 1 if respondents trust both district (*woreda*) and village (*kebele*) leaders, 0 otherwise. Columns (3) and (4) present estimated results for trust in *woreda* leaders, while columns (5) and (6) present these results for trust in *kebele* leaders.

Our first main result indicates that conflict, measured by the number of battle events within a 15-kilometer radius, is negatively associated with trust in local leaders. This result is consistent across all measures of trust in local leadership. Our estimated results on the negative implications of conflict is in line with previous studies which find that conflicts negatively affect trust in local and national governments (Voors and Bulte, 2014; Bauer et al., 2016; Deglow and Sundberg, 2021; De Juan and Pierskalla, 2016). There are several channels through which armed conflicts might negatively affect trust in local leaders. First, armed conflicts may be perceived as failures of development (Collier et al., 2003) and political failures by competing political forces,

which can affect citizens' confidence in central and local leaders. This is particularly important given the armed conflict in Ethiopia was triggered by disagreement between political actors and involved state bureaucracies, including local leaders, especially in terms of the mobilization of human and financial resources to support the fight. Thus, respondents may associate the conflict with failure in political leadership. Second, even if the conflict was exogenous and not associated with political leadership, the significant damage associated with the armed conflict can trigger a sense of grievance and lack of protection, which can ultimately reduce trust in local leadership.[16] Ahlerup et al. (2024) also show that exposure to exogenous climate shocks erode trust in politicians.[17] Third, large-scale conflicts such as those in our context results in substantial damage to physical, economic, and social infrastructures, which can ultimately undermine local leaders' ability to provide public and social services, and thus lower level of trust in local leaders. Finally, armed conflicts can change the landscape of local politics and lead to polarization, which can send negative signals about the quality, strength, and intentions of legal and formal institutions (Blattman and Miguel, 2010; Rohner et al., 2013b; Cassar et al., 2013; Voors and Bulte, 2014). Overall, the negative effect of conflict on trust in local leaders is in line with previous studies, which document a general deterioration in trust and cooperation as a result of conflicts (Rohner et al., 2013b; Cassar et al., 2013; Hager et al., 2019; Cecchi and Duchoslav, 2018; Rubio-Ramos, 2024), although some other studies show the opposite (Bauer et al., 2016).[18]

[16] Households might felt that local leaders' help was insufficient in stopping the conflict or mitigate its impacts. For instance, (Hager et al., 2019) find that conflict decreased trust in Kyrgyzstan both within and outside the same ethnic groups because of the feeling of abandonment.

[17] Consistent with this, Brückner and Ciccone (2011) and Aidt and Leon (2016) show that exogenous rainfall shocks can lead to transition to democracy by lowering citizens' opportunity cost of contesting power that ultimately can lead to concessions from (autocratic) political actors.

[18] Other studies suggest that armed armed conflicts could also promote prosocial preferences, community leadership and civic participation (Voors et al., 2012; Cassar et al., 2013; Gilligan et al., 2014; Bauer et al., 2016), which can ultimately enhance trust in local leaders.

Table 3: Armed Conflict, Cash transfer and trust in local leaders

	Trust in local leaders		Trust in district leaders		Trust in village leaders	
	(1)	(2)	(3)	(4)	(5)	(6)
Number of battle events - 15km (in 10s)	-0.197***	-0.218***	-0.184***	-0.200***	-0.201***	-0.218***
	(0.043)	(0.055)	(0.044)	(0.061)	(0.042)	(0.052)
Treatment X Number of battle events - 15km	0.141***	0.163***	0.127**	0.144**	0.148***	0.165***
	(0.051)	(0.062)	(0.050)	(0.065)	(0.050)	(0.058)
Post-conflict (Year = 2023)	0.201***	0.205***	0.229***	0.235***	0.210***	0.217***
	(0.043)	(0.044)	(0.040)	(0.040)	(0.043)	(0.043)
Treatment X Post-conflict (Year = 2023)	-0.073	-0.076	-0.071	-0.074	-0.077	-0.082
	(0.052)	(0.051)	(0.049)	(0.049)	(0.051)	(0.051)
Constant	0.278***	0.272***	0.317***	0.302***	0.308***	0.300***
	(0.012)	(0.016)	(0.012)	(0.017)	(0.012)	(0.016)
Household FE	YES	YES	YES	YES	YES	YES
Controls	NO	YES	NO	YES	NO	YES
Observations	5,742	5,707	5,742	5,707	5,742	5,707

Notes. This table reports results from fixed-effects regressions of trust in local leaders (binary variable taking the value of 1 if a respondent trusts both district and village leaders and 0 otherwise) (columns 1-2), trust in district leaders (columns 3-4), and trust in village leaders (5-6). Exposure to armed conflict is measured by the number of battle events (in 10s) realized within 15km radius of the household residence. Treatment is a binary variable taking a value of 1 for those communities and households assigned to the cash transfer intervention and 0 otherwise. Controls include: livestock ownership, asset ownership index, housing condition index, and ownership of farming equipments index. Standard errors, clustered at village (*kebele*) level, are given in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Table 3 also highlights three additional insights. First, the estimated coefficients of the year variable show that trust in local leadership increased over time, especially for households which were not exposed to armed conflict. This is consistent with what we have seen in Figure 5. Second, the coefficient associated with the treatment assignment (cash transfer) and post-conflict dummy show that the cash transfers do not affect trust in local leaders in areas not exposed to armed conflict. This contrasts with previous findings that cash transfer increases trust in governance (Evans et al., 2019; Kosec and Mo, 2024). However, it is important to note that the cash transfer in our treatment involves a one-time transfer of cash to selected number of households while the cash transfer in Evans et al. (2019) and (Kosec and Mo, 2024) involve multi-year, community-wide cash transfer programs by a government. Third, our main results in Table 3 relate to the role of the community-based cash transfers in mitigating the negative effect of conflict on trust, implying their potential to rebuild trust in conflict-affected settings characterized by low level of trust in local leaders. Looking at the estimated coefficients associated with the interaction term between exposure to armed conflict and cash transfers, they are statistically significant for all measures of trust in local leaders. For example, the results

in the first two columns of Table 3 show that an additional 10 battles within a 15-kilometer radius are associated with 20 to 22 percentage point reduction in trust in local leaders, while assignment to the community-based cash transfer recovers some of this loss in trust, leading to a 14 to 16 percentage point increase in trust in local leaders in conflict-affected settings. The size of these impacts is large, especially given the amount of deterioration in trust and the relatively small size of the transfers.

Table 4: Armed Conflict, cash transfer and trust in local leaders

	Trust in local leaders		Trust in district leaders		Trust in village leaders	
	(1)	(2)	(3)	(4)	(5)	(6)
Number of battle events - 15km (in 10s)	-0.197***	-0.218***	-0.184***	-0.200***	-0.201***	-0.218***
	(0.043)	(0.055)	(0.044)	(0.061)	(0.042)	(0.052)
Cash transfer 10k X Number of battle events - 15km	0.156**	0.178**	0.146**	0.162**	0.164***	0.182***
	(0.062)	(0.071)	(0.061)	(0.074)	(0.062)	(0.070)
Cash transfer 20k X Number of battle events - 15km	0.134**	0.155**	0.118**	0.135**	0.140***	0.157**
	(0.055)	(0.065)	(0.052)	(0.067)	(0.053)	(0.061)
Post-conflict (Year = 2023)	0.201***	0.206***	0.229***	0.235***	0.210***	0.217***
	(0.043)	(0.044)	(0.040)	(0.040)	(0.043)	(0.043)
Cash transfer 10k X Post-conflict (Year = 2023)	-0.101	-0.105*	-0.118**	-0.120**	-0.091	-0.097
	(0.061)	(0.062)	(0.059)	(0.059)	(0.062)	(0.063)
Cash transfer 20k X Post-conflict (Year = 2023)	-0.061	-0.063	-0.050	-0.053	-0.071	-0.076
	(0.056)	(0.056)	(0.054)	(0.054)	(0.055)	(0.055)
Constant	0.278***	0.272***	0.317***	0.303***	0.308***	0.300***
	(0.012)	(0.016)	(0.012)	(0.017)	(0.012)	(0.016)
Household FE	YES	YES	YES	YES	YES	YES
Controls	NO	YES	NO	YES	NO	YES
P-value (Cash transfer 10k vs Cash transfer 20k)	0.687	0.684	0.581	0.587	0.668	0.659
Observations	5,742	5,707	5,742	5,707	5,742	5,707

Notes: This table reports results from fixed-effects regressions of trust in local leaders (binary variable taking the value of 1 if a respondent trusts both district and village leaders and 0 otherwise) (columns 1-2), trust in district leaders (columns 3-4), and trust in village leaders (5-6). Exposure to armed conflict is measured by the number of battle events (in 10s) realized within 15km radius of the household residence. Cash transfer 10k is an indicator variable taking a value of 1 for those communities and households assigned to the cash transfer with a budget of 10, 000 Ethiopian Birr and 0 otherwise. Cash transfer 20k is another indicator variable taking a value of 1 for those communities and households assigned to the cash transfer with a budget of 10, 000 Ethiopian Birr and 0 otherwise. Controls include: livestock ownership, asset ownership index, housing condition index, and ownership of farming equipments index. Standard errors, clustered at village (*kebele*) level, are given in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Table 4 below presents estimated results from our model in equation 2, disaggregating the treatment effect by the size of cash transfers. We find that both the 10,000 ETB and 20,000 ETB transfers generated comparable impacts in terms of mitigating the negative effects of conflict on trust in local leaders. As shown at the bottom of the table through the pairwise t-test statistics, the estimated coefficients associated with these different transfer sizes are not statistically different from each other.

Finally in Table 5, we present estimation results from our model in eq. 3 by further disaggregating our treatment effect by both the size of cash transfer and targeting methods (rules of allocation). Again, the effect remains similar with estimated coefficients both in the rule-based targeting and discretionary settings not statistically different from each other. The implication of armed conflict as well as the mitigating role of the community-based cash transfer remain very comparable across all definitions of treatment and access to the cash transfer, reinforcing the robustness of our results.

An important question related to the effects of the community-based cash transfer is what drives the positive effects on trust in local leaders? Looking back at the channels and mechanisms through which armed conflicts might affect trust in local leaders, the community-based cash transfer might mitigate the impact of conflict on trust in local leaders by: (i) changing the perception of community members about the ability of local leaders to deliver social services; (ii) increasing confidence on the quality and intentions of local leadership's response to crises such as conflict; iii) enhancing local leaders' image and their prosocial preferences; and (iv) affecting prosocial preferences (e.g., reciprocity) of community members. Although we lack empirical data to directly test these mechanisms, we present indirect evidence that supports some of these mechanisms. First, households in treatment villages have asymmetric information about local leaders' social preferences as well as the reason why their community and household is selected for the cash transfer. We note that households do not know that the assignment of communities to cash transfers and the control group was random. Thus, according to the theory of *rational but poorly informed* citizens (Drazen and Eslava, 2006; Manacorda et al., 2011), in the presence of this asymmetric information, households may interpret the community-based cash transfers as a signal of local leaders' redistributive preferences towards communities and/or their response to man-made disaster (armed conflict), which may then increase their trust in local leaders (Manacorda et al., 2011). Healy and Malhotra (2009) argue that citizens and voters significantly reward or punish politicians and governments based on their disaster relief response and spending (see also, Chen, 2013). Unlike other types of social protection programs in which beneficiary households may have difficulty attributing an intervention and rewarding associated trust (Evans et al., 2019; Evans and Kosec, 2023), our intervention involved *kebele* leaders in targeting and distributing the cash transfers, which can ease attribution of the transfer to local leaders and NGOs. Thus, cash transfers can increase trust in local leadership due to reciprocity from beneficiary households (Finan and Schechter, 2012; Manacorda et al., 2011).

Table 5: Armed Conflict, cash transfer and trust in local leaders - disaggregated treatment arms

	Trust in local leaders		Trust in district leaders		Trust in village leaders	
	(1)	(2)	(3)	(4)	(5)	(6)
Number of battle events - 15km (in 10s)	-0.197***	-0.218***	-0.184***	-0.200***	-0.201***	-0.218***
	(0.043)	(0.055)	(0.044)	(0.061)	(0.042)	(0.052)
Discretionary X Number of battle events - 15km	0.096	0.117*	0.091	0.108	0.113*	0.130*
	(0.059)	(0.068)	(0.064)	(0.077)	(0.063)	(0.069)
Rule based 10k X Number of battle events - 15km	0.156**	0.178**	0.146**	0.162**	0.164***	0.182***
	(0.062)	(0.071)	(0.061)	(0.074)	(0.062)	(0.070)
Rule based 20k X Number of battle events - 15km	0.155***	0.176***	0.131**	0.148**	0.154***	0.171***
	(0.058)	(0.067)	(0.054)	(0.068)	(0.056)	(0.064)
Post-conflict (Year = 2023)	0.201***	0.205***	0.229***	0.235***	0.210***	0.217***
	(0.043)	(0.044)	(0.040)	(0.040)	(0.043)	(0.043)
Discretionary X Post-conflict (Year = 2023)	-0.025	-0.030	0.001	-0.005	-0.038	-0.045
	(0.061)	(0.060)	(0.060)	(0.060)	(0.061)	(0.060)
Rule based 10k X Post-conflict (Year = 2023)	-0.101	-0.105*	-0.118**	-0.120**	-0.091	-0.097
	(0.061)	(0.062)	(0.059)	(0.059)	(0.062)	(0.063)
Rule based 20k X Post-conflict (Year = 2023)	-0.084	-0.083	-0.093	-0.092	-0.097	-0.098
	(0.070)	(0.069)	(0.068)	(0.067)	(0.069)	(0.068)
Constant	0.278***	0.272***	0.317***	0.303***	0.308***	0.300***
	(0.012)	(0.016)	(0.012)	(0.017)	(0.012)	(0.016)
Household FE	YES	YES	YES	YES	YES	YES
Controls	NO	YES	NO	YES	NO	YES
P-value (Discretionary vs Rule based 10k)	0.310	0.303	0.387	0.389	0.437	0.424
P-value (Discretionary vs Rule based 20k)	0.293	0.278	0.482	0.474	0.492	0.477
P-value (Rule based 10k vs Rule based 20k)	0.977	0.979	0.772	0.781	0.868	0.862
Observations	5,742	5,707	5,742	5,707	5,742	5,707

Notes: This table reports results from fixed-effects regressions of trust in local leaders (binary variable taking the value of 1 if a respondent trusts both district and village leaders and 0 otherwise) (columns 1-2), trust in district leaders (columns 3-4), and trust in village leaders (5-6). Exposure to armed conflict is measured by the number of battle events (in 10s) realized within 15km radius of the household residence. "Discretionary" is an indicator variable for those households assigned to the discrtionary targeting with a budget of 20,000 ETB while "Rule-based 10k" captures those communities and households assigned to the rule-based targeting with constrained budget of 10,000 ETB. "Rule-based 20k" is another indicator variable for those households assigned to the rule-based targeting with relaxed budget of 20,000 ETB. Controls include: livestock ownership, asset ownership index, housing condition index, and ownership of farming equipments index. Standard errors, clustered at village (*kebele*) level, are given in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Second, while those actually benefiting from the community-based cash transfer have several reasons to increase their trust in local leaders, the effect on non-beneficiary households in treatment villages is not obvious. On one hand, non-beneficiary households in treatment communities may increase their trust in local leaders if they appreciate local leaders' redistributive preferences towards their community or if they perceived fairness of the targeting of the cash transfer program. If non-beneficiary households perceive the targeting of the transfers as fair, this may afford community leaders some level of trust even among those not actually receiving the transfer. Thus, the perception that beneficiary households are needy and deserve the transfer (Evans et al., 2019; Evans and Kosec, 2023; Manacorda et al., 2011) could increase confidence in local leaders both among beneficiary and non-beneficiary households in treatment communities. These perceptions are likely to be more salient in conflict-affected settings given the

enormous scarcity and demand for relief assistance. Yet, active conflicts and associated fragility can also confound the targeting and delivery of these transfers. As conflict increases demand for social and humanitarian assistance, non-beneficiary households may be more content about their exclusion in conflict-affected settings than normal settings. However, "discriminatory" targeting may trigger dissatisfaction among non-beneficiary households (Haushofer et al., 2015; Della Guardia et al., 2022) and hence negatively affect trust in local leadership. In our study, most households in treatment communities have received the transfer (see Table 2), although we still have a reasonable amount of non-beneficiary households in treatment villages. To test some of these mechanisms, we split the sample into two: households that were deemed "eligible" to receive the transfer and households that were not deemed needy enough for the transfer. We note that even in the control arm, we have asked local leaders to whom they would hypothetically give the transfer, allowing us to compare outcomes across treatment and control group for those identified needy and those not. For those households assigned to receive some transfer, the difference between those in the treatment and control villages is the fact that households in the treatment group will actually receive transfer while those in the control will not receive actual transfer. For those households deemed not needy in both the treatment and control villages, there is no difference in actual receipt of the transfer, except that not needy households in treatment group villages have information about neighbors who did receive the transfer. Indeed, the sample of households deemed not needy by community leaders in both the treatment and control groups affords us an interesting setting to test what happens to non-beneficiary households in treatment villages compared to similar households in control villages.

Table 6: Conflict, cash transfer and trust in local leaders -disaggregation by eligibility to receive the cash transfer

	Trust in local leaders		Trust in district leaders		Trust in village leaders	
	(Eligible)	(Ineligible)	(Eligible)	(Ineligible)	(Eligible)	(Ineligible)
Number of battle events - 15km (in 10s)	-0.219***	-0.212***	-0.206***	-0.173***	-0.218***	-0.218***
	(0.058)	(0.058)	(0.066)	(0.063)	(0.055)	(0.058)
Treatment X Number of battle events - 15km	0.149**	0.194***	0.144**	0.134*	0.149**	0.202***
	(0.064)	(0.065)	(0.071)	(0.069)	(0.060)	(0.066)
Post-conflict (Year = 2023)	0.185***	0.282***	0.217***	0.299***	0.195***	0.306***
	(0.044)	(0.073)	(0.040)	(0.075)	(0.043)	(0.074)
Treatment X Post-conflict (Year = 2023)	-0.038	-0.227**	-0.044	-0.194**	-0.042	-0.243***
	(0.052)	(0.091)	(0.050)	(0.092)	(0.052)	(0.090)
Constant	0.262***	0.309***	0.294***	0.332***	0.287***	0.343***
	(0.018)	(0.029)	(0.019)	(0.032)	(0.017)	(0.030)
Household FE	YES	YES	YES	YES	YES	YES
Controls	YES	YES	YES	YES	YES	YES
P-value (Selected vs Not-selected)		0.476		0.883		0.397
Observations	4,608	1,099	4,608	1,099	4,608	1,099

Notes. This table reports results from fixed-effects regressions of trust in local leaders (binary variable taking the value of 1 if a respondent trusts both district and village leaders and 0 otherwise) (columns 1-2), trust in district leaders (columns 3-4), and trust in village leaders (5-6). Odd column results are for those households deemed "eligible" while even column results are for those households deemed "ineligible" by community leaders. Exposure to armed conflict is measured by the number of battle events (in 10s) realized within 15km radius of the household residence. Treatment is a binary variable taking a value of 1 for those communities and households assigned to the cash transfer intervention and 0 otherwise. Controls include: livestock ownership, asset ownership index, housing condition index, and ownership of farming equipments index. Standard errors, clustered at village (*kebele*) level, are given in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

The results in Table 6 show some noteworthy patterns. First, a temporal increase in exposure to armed conflict is associated with deterioration in trust in local leaders for both households deemed "eligible" to receive cash transfer and those who were not. Second, the community-based cash transfer increases trust in local leaders for both groups of households affected by armed conflicts. Indeed, among households exposed to armed conflict, the impact of the community-based cash transfer appears to generate comparable support to local leaders among those deemed "eligible" and "non-eligible". Third, households that were in the treatment group but which did not receive actual cash transfer report deterioration in trust in local leadership as captured by the interaction between treatment assignment and the round dummy, which is consistent with the findings from (Kosec and Mo, 2024). More specifically, Kosec and Mo (2024) show that poor households who have access to social protection transfers are likely to increase their political support while those denied access can become more "politically disgruntled". The size of the impact in deterioration in trust among households deemed "ineligible" is large and worth

highlighting. For example, column 2 of Table 6 shows that the community-based cash transfer led to a reduction of about 23 percentage points in trust in local leaders among "ineligible" households. This reinforces the judicious need to study what happens not just to beneficiaries of social protection programs but also to those denied access to these programs. Interestingly, such deterioration in trust among "ineligible" households is not reported among households affected by armed conflict. This may be explained by the fact that demand for humanitarian and social assistance can be relatively higher among communities and households affected by conflict, which may trigger sympathy even among those excluded from the transfer. The staggering increase in the demand for humanitarian assistance in Ethiopia, which reached 21.4 million people (OCHA, 2024), along with the large share of households receiving transfer in their village (see, Table 2), may afford non-beneficiary households some level of comfort and altruism. Furthermore, targeting may have been more inclusive and efficient in those villages and communities affected by armed conflict (Abay et al., 2024). While the results in Tables 6 are based on an aggregated indicator of treatment assignment, we report similar effects in Table A5 in the appendix using disaggregated treatment arms. Similarly, we also probe for robustness of our results by increasing the buffer zone to a 20-kilometer radius instead of a 15-kilometer radius around households' residence (see Table A3 and Table A4 in the Appendix).

5.2. Heterogeneity analyses

5.2.1. Heterogeneity by poverty and perceived economic status

Households' response to the community-based cash transfers may vary depending on their actual or perceived economic standing. There are three theoretical motivations as to why poorer households may respond more in terms of their support and trust in local leaders. First, previous studies show that redistributive policies are likely to be supported by poorer households (Manacorda et al., 2011) or when households perceive relative deprivation (Kosec and Mo, 2024). This is likely to be the case especially if households have limited information about the targeting mechanisms and hence may broadly interpret the transfers as a signal of redistributive policy of local leaders. Second, the community-based cash transfers represent relatively larger share of poor households' expenditure. Although the average transfer to beneficiary households is not large (see Table 2), the amount of transfer to relatively poorer households is likely to be higher than this.[19] Third, the impacts of armed conflicts are likely to be higher among the poor, which may require more urgency and have more need for relief support. With these hypotheses in

[19]Compared to the baseline consumption (see Table 1) and the transfers associated with the flagship safety net program (PSNP) in Ethiopia, these transfers are modest (Abay et al., 2023a; Gilligan et al., 2009; Berhane et al., 2014).

mind, this subsection examines the impact of the community-based cash transfers among poor and non-poor households by splitting the sample based on their (baseline) poverty status using the national poverty line.

Table 7 shows that exposure to conflict is negatively and significantly associated with trust in local leaders for poor and non-poor households. As expected, the deterioration in trust in local leadership associated with exposure to armed conflict is slightly higher among poor households, although these differences are not statistically significant. Most importantly, Table 7 indicates that the community-based cash transfer program effectively recovers trust in local leadership among poor and non-poor households in conflict-affected settings. Indeed, and as expected, the impacts are slightly larger among the sample of poor households, although the pairwise t-test reported at the bottom of Table 7 shows that such differences in the effects across poor and non-poor households are not statistically significant. These results underscore the vital role cash transfer programs play in restoring trust in local governance in conflict-affected settings and are consistent with existing evidence which suggests that such programs tend to be more effective among the poor (Baird et al., 2018; Stoeffler et al., 2020; de Milliano et al., 2021; Peterman et al., 2022; Pena et al., 2017; Christian et al., 2019). These patterns are consistent with the literature on vote-buying in Africa, which usually target poor households with the assumption that they are more likely to respond to these incentives (Jensen and Justesen, 2014; Khemani, 2015; Kaba, 2022; Vicente, 2014).

Table 7: Conflict, cash transfer and trust in local governance - by poverty

	Trust in local leaders		Trust in district leaders		Trust in village leaders	
	(Poor)	(Non-poor)	(Poor)	(Non-poor)	(Poor)	(Non-poor)
Number of battle events - 15km (in 10s)	-0.325***	-0.190***	-0.331***	-0.165**	-0.329***	-0.190***
	(0.119)	(0.062)	(0.121)	(0.065)	(0.117)	(0.057)
Treatment X Number of battle events - 15km	0.309**	0.120*	0.311**	0.097	0.323***	0.120*
	(0.123)	(0.069)	(0.124)	(0.069)	(0.121)	(0.064)
Post-conflict (Year = 2023)	0.249***	0.187***	0.270***	0.222***	0.267***	0.195***
	(0.052)	(0.049)	(0.052)	(0.045)	(0.054)	(0.048)
Treatment X Post-conflict (Year = 2023)	-0.124*	-0.055	-0.089	-0.070	-0.148**	-0.054
	(0.066)	(0.057)	(0.066)	(0.054)	(0.067)	(0.056)
Constant	0.272***	0.273***	0.300***	0.304***	0.315***	0.297***
	(0.033)	(0.017)	(0.033)	(0.018)	(0.033)	(0.017)
Household FE	YES	YES	YES	YES	YES	YES
Controls	YES	YES	YES	YES	YES	YES
P-value (Poor vs Non-poor)		0.257		0.123		0.121
Observations	1,719	3,988	1,719	3,988	1,719	3,988

Notes. This table reports results from fixed-effects regressions of trust in local leaders (binary variable taking the value of 1 if a respondent trusts both district and village leaders and 0 otherwise) (columns 1-2), trust in district leaders (columns 3-4), and trust in village leaders (5-6). Odd column results are for poor households (those with consumption expenditure in 2019 falling below the national poverty line) while even column results are for non-poor households (those reporting consumption expenditure above the national poverty line). Exposure to armed conflict is measured by the number of battle events (in 10s) realized within 15km radius of the household residence. Treatment is a binary variable taking a value of 1 for those communities and households assigned to the cash transfer intervention and 0 otherwise. Controls include: livestock ownership, asset ownership index, housing condition index, and ownership of farming equipments index. Standard errors, clustered at village (*kebele*) level, are given in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

5.2.2. Heterogeneity analysis by previous participation in safety net programs

Another important question worth addressing is about who is more responsive to the community-based cash transfers. Identifying population groups who may likely to respond to these types of interventions can inform targeting of public policies meant to build institutional trust and social cohesion among communities. In this subsection, we are interested about whether households benefiting from existing social protection systems exhibit higher or lower response to the community-based cash transfer. Although not tailored to address trust in local leadership, Ethiopia has implemented one of the largest social assistance programs in Africa, the Productive Safety Net Programme (PSNP), which reaches about 8 million rural people (Gilligan et al., 2009; Hoddinott et al., 2012; Berhane et al., 2014; Abay et al., 2022). Hirvonen et al. (2024b) show that access to the PSNP lowered incidence of protest and demonstrations, although it had no impact on violent conflicts such as battles. While the PSNP program reaches about

only 25-30 percent of our sample (see, Table 1), the community leaders in our experiment distributed the cash to about 75-87 percent of households in their communities (see, Table 2). On the one hand, PSNP beneficiaries may already have a reasonable level of trust and confidence in local leaders and an additional cash transfer may help them strengthen their confidence in local leadership, regardless of whether their selection into the program may not be surprising given their previous participation in government-sponsored social safety net programs. On the other hand, non-PSNP households may be surprised by the new community-based cash transfer which may help them reconcile their dissatisfaction with local leaders. Which force dominates remains an important empirical question we address by splitting the sample by PSNP and non-PSNP households. The interaction terms between treatment assignment and exposure to armed conflict among PSNP and non-PSNP households in Table 8 suggest that much of the main effects we discussed in the above sections are driven by the effect on non-PSNP households. These findings have important implications for targeting interventions meant to rebuild trust and mobilize political support. These results insinuate that for building grass-root level trust, targeting, and appeasing those who may be usually discriminated against social transfers may generate higher impact, especially when these households are grappling with man-made and natural disasters.

Table 8: Conflict, cash transfer and trust in local governance - by PSNP beneficiary

	Trust in local leaders		Trust in district leaders		Trust in village leaders	
	(PSNP)	(Non-PSNP)	(PSNP)	(Non-PSNP)	(PSNP)	(Non-PSNP)
Number of battle events - 15km (in 10s)	-0.164***	-0.278***	-0.142**	-0.268***	-0.161***	-0.283***
	(0.056)	(0.081)	(0.056)	(0.093)	(0.054)	(0.079)
Treatment X Number of battle events - 15km	0.090	0.232***	0.079	0.216**	0.089	0.239***
	(0.073)	(0.084)	(0.070)	(0.096)	(0.071)	(0.082)
Post-conflict (Year = 2023)	0.137*	0.232***	0.160**	0.264***	0.146**	0.245***
	(0.069)	(0.050)	(0.064)	(0.047)	(0.067)	(0.051)
Treatment X Post-conflict (Year = 2023)	-0.103	-0.070	-0.104	-0.067	-0.096	-0.082
	(0.087)	(0.057)	(0.084)	(0.054)	(0.087)	(0.058)
Constant	0.284***	0.271***	0.318***	0.299***	0.311***	0.299***
	(0.029)	(0.016)	(0.028)	(0.018)	(0.029)	(0.016)
Household FE	YES	YES	YES	YES	YES	YES
Controls	YES	YES	YES	YES	YES	YES
P-value (PSNP vs Non-PSNP)		0.130		0.161		0.126
Observations	1,528	4,179	1,528	4,179	1,528	4,179

Notes. This table reports results from fixed-effects regressions of trust in local leaders (binary variable taking the value of 1 if a respondent trusts both district and village leaders and 0 otherwise) (columns 1-2), trust in district leaders (columns 3-4), and trust in village leaders (5-6). Odd column results are for households benefiting from the national PSNP while even column results are for households not benefiting from the PSNP. Exposure to armed conflict is measured by the number of battle events (in 10s) realized within 15km radius of the household residence. Treatment is a binary variable taking a value of 1 for those communities and households assigned to the cash transfer intervention and 0 otherwise. Controls include: livestock ownership, asset ownership index, housing condition index, and ownership of farming equipments index. Standard errors, clustered at village (*kebele*) level, are given in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

5.2.3. Heterogeneity by gender of household head

Previous studies indicate a disproportionally larger effect of conflict on women (Bastagli et al., 2019; Scarlato and d'Agostino, 2019; Simon, 2019; Bendavid et al., 2021). Similarly, other studies show that cash transfers are particularly effective for women (Peterman et al., 2019; Kilburn et al., 2020). Building on these studies, we formally test whether the community-based cash transfer program is more beneficial for female-headed households than male-headed households by estimating our main specification (eq. 1) and splitting the sample by the gender of the household head. Table 9 shows that exposure to conflict is negatively and significantly associated with trust in local leaders for both female- and male-headed households. Additionally, the results in Table 9 show that the cash transfer program effectively rebuilds trust in local leadership for both types of households. Despite the significant differences in sample size across male- and female-headed samples, the coefficients in Table 9 are comparable across both samples.

Table 9: Conflict, cash transfer and trust in local governance - by gender

	Trust in local leaders		Trust in woreda leaders		Trust in kebele leaders	
	(Male)	(Female)	(Male)	(Female)	(Male)	(Female)
Number of battle events - 15km (in 10s)	-0.223***	-0.201***	-0.216***	-0.152***	-0.228***	-0.189***
	(0.068)	(0.060)	(0.074)	(0.050)	(0.067)	(0.055)
Treatment X Number of battle events - 15km	0.176**	0.119*	0.164**	0.083	0.184**	0.109*
	(0.073)	(0.066)	(0.079)	(0.057)	(0.073)	(0.063)
Post-conflict (Year = 2023)	0.207***	0.203***	0.240***	0.222***	0.222***	0.198***
	(0.043)	(0.060)	(0.039)	(0.060)	(0.043)	(0.058)
Treatment X Post-conflict (Year = 2023)	-0.104**	0.003	-0.101**	0.005	-0.118**	0.022
	(0.052)	(0.070)	(0.049)	(0.071)	(0.052)	(0.069)
Constant	0.284***	0.233***	0.314***	0.264***	0.310***	0.260***
	(0.018)	(0.024)	(0.019)	(0.025)	(0.018)	(0.026)
Household FE	YES	YES	YES	YES	YES	YES
Controls	YES	YES	YES	YES	YES	YES
P-value (Male vs Female)		0.498		0.316		0.403
Observations	4,283	1,424	4,283	1,424	4,283	1,424

Notes. Fixed-effects regressions of a standardized trust in local governance index (columns 1-2), trust in kebele and woreda leaders (columns 3-4 and 5-6) with household fixed-effects. The odd columns are for male-headed households and the even columns are for female-headed households. The variable Number of battle events 15km captures the total number of battles that occurred within a 15-kilometer radius of the community. Treatment is a binary variable taking a value of 1 if a household comes from either of the three treatment arms, 0 otherwise. Controls include: livestock ownership, asset ownership index, housing condition index, and ownership of farming equipments index. Standard errors, clustered at village (kebele) level, are given in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

To summarize, the results reported in Table 3 through 9 consistently show that conflict erodes trust in local leadership while a well-targeted community-based cash transfer involving local leaders can mitigate these negative effects. In addition to the average relationships and impacts, our analysis further confirms that (i) cash transfers increase post-conflict trust in local leaders both among beneficiary and non-beneficiary households in treated communities, especially in conflict-affected settings; (ii) although non-beneficiary households in treatment villages report deterioration in trust in local leaders because of the exogenous access to cash transfer to their neighbors, this was not visible among those affected by armed conflict; and (iii) the effect of community-based cash transfers on trust in local leaders is largely driven by poor households and those not directly benefiting from government social safety net programs. These results are important to inform efforts and interventions by governmental and non-governmental organizations in designing and implementing post-conflict recovery strategies. This is particularly the case given political instability and armed conflicts remain major challenges and obstacles to achieving sustainable development goals in Africa. Besides perpetuating poverty, armed

conflicts lead to poor governance, which, in turn, may undermine trust and social cohesion by breeding mistrust among political actors and political institutions. Breaking this vicious cycle of the "war trap" and rebuilding trust in local institutions is essential for post-conflict recovery. Understanding the instruments and mechanisms that can rebuild trust in local leadership is crucial for accelerating post-conflict recovery and preventing any potential plunges back into conflict (Collier et al., 2003; Blattman, 2009; Rohner et al., 2013a).

6. Conclusion

Building on a recent and large-scale armed conflict in Ethiopia, we study the impact of a community-based cash transfer on trust in local leadership. We randomly assign 180 communities into a control group and three treatment arms in which cash is transferred to households. The three treatment arms vary based on the size of cash transfer and an allocation rule. Although local leaders may have been involved in mobilizing resources for the war, the community-based cash transfer intervention we evaluate in this study also involved local leaders in the targeting and distribution of the cash transfer. We find that conflict erodes trust in local leaders, but the community-based cash transfers mitigate these negative effects. We also document that these impacts are driven by both beneficiaries and non-beneficiaries of the cash transfer in treatment communities. Our results remain consistent for alternative cash transfer targeting modalities and the size of transfers. Furthermore, our heterogeneity analyses suggest that cash transfers are effective at mitigating the impact of conflict on trust in local leaders particularly among the poor and those who did not benefit from government safety net programs.

These findings have a number of policy implications and highlight the potential role of community-based cash transfers in rebuilding trust in local leadership in fragile and conflict-affected settings. While much of the literature on the impact of cash transfer programs focuses on direct effects on beneficiary households in normal settings (Leight et al., 2024), our paper focuses on conflict-affected setting. Indeed, our results imply the need to account for the broader effects of cash transfers on local institutions in the appraisal or computations of returns to these investments. The evidence that a relatively modest cash transfer program involving local leaders can restore trust in local leadership in conflict-affected setting is encouraging and worth noting. Finally, the heterogeneous effects and responses we document in this study offer important insights about how to target social safety net programs which may also promote trust and maximize political support. For example, the evidence that households which did not participate in existing social

protection systems or the households which are usually discriminated by poverty-based targeting approaches are more responsive to the community-based cash transfers imply heterogeneous marginal returns to additional cash transfer programs across different groups of households.

We would like to highlight four points that may help readers qualify our results and provide insights for future research. First, while the variation in community-based cash transfers comes from a randomized controlled trial, the variation in exposure to conflict is based on temporal variation in exposure to battles. Although these battle events are arguably beyond the scope of households and community leaders, particularly in our context, we cannot fully rule out potential endogeneity in the location of battles and thus exposure to armed conflict. We have detailed data on household- and community-level characteristics and test the sensitivity of our results to alternative conflict exposure specifications. However, our paper shares the limitation of previous studies that armed conflicts are not random. Second, measurement of exposure to battles can also be prone to measurement errors arising from inaccurate location of battle events or under-reporting of some battle events (Rockmore and Barrett, 2022; Weidmann, 2015, 2016). The use of relatively larger buffer zone (15-kilometer radius) will likely attenuate some of these concerns by making these errors less systematic. Classical measurement error in the number of battle events can lead to underestimation of the effect of armed conflict. Third, the time between our intervention (cash transfer) and follow-up data collection is two months, which is arguably relatively short and might not capture the full effect of cash transfers on trust in local leaders.Finally, while we highlight potential mechanisms related to changes in leadership perceptions and prosocial preferences as potential mechanisms, and present indirect suggestive evidence for this, we do not have data to directly test these mechanisms. Understanding the underlying mechanism through which cash transfers may enhance post-conflict trust in local leadership is key to proper design and targeting of these transfers.

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A. Supplementary Figures

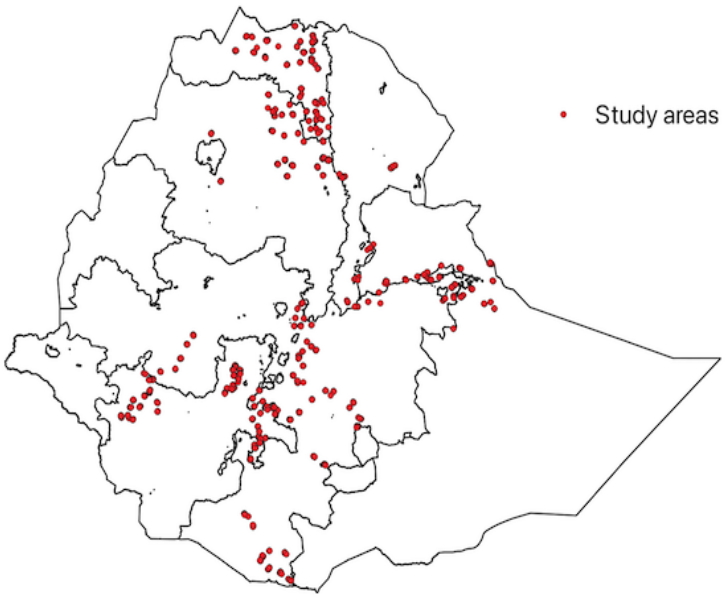

Figure A1: Distribution of sample households (Authors' compilation based on survey data).

B. Supplementary Tables

Table A1: Distribution of attrition across control and treatment groups

	Probability of response	
	(1)	(2)
Rule-based 10k	0.014	0.009
	(0.036)	(0.033)
Rule-based 20k	0.016	0.006
	(0.048)	(0.045)
Discretionary	0.040	0.037
	(0.045)	(0.042)
Constant	0.793***	0.792***
	(0.029)	(0.041)
Region FE	NO	YES
Observations	3,591	3,591

Notes. This table shows the distribution of attrition across the treatment and control groups. Effect of treatment assignment on attrition is estimated using a simple linear probability model with response rate as the dependent variable. Regression is conducted without (column 1) and with (column 2) controlling for region fixed effects. Standard errors, clustered at village (*kebele*) level, are given in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

Table A2: Exposure to conflict and Trust in local leaders

	Trust in local leaders		Trust in district leaders		Trust in village leaders	
	(1)	(2)	(3)	(4)	(5)	(6)
Number of battle events 15km (in 10s)	-0.077**	-0.073**	-0.076***	-0.072***	-0.076**	-0.071**
	(0.030)	(0.030)	(0.026)	(0.026)	(0.029)	(0.029)
Post-conflcit (Year = 2023)	0.146***	0.148***	0.176***	0.179***	0.152***	0.155***
	(0.024)	(0.024)	(0.024)	(0.024)	(0.024)	(0.024)
Constant	0.275***	0.269***	0.314***	0.299***	0.305***	0.296***
	(0.012)	(0.016)	(0.012)	(0.017)	(0.012)	(0.016)
Household FE	YES	YES	YES	YES	YES	YES
Controls	NO	YES	NO	YES	YES	YES
Observations	5,889	5,854	5,889	5,854	5,889	5,854

Notes. This table reports results from fixed-effects regressions of trust in local leaders (binary variable taking the value of 1 if a respondent trusts both district and village leaders and 0 otherwise) (columns 1-2), trust in district leaders (columns 3-4), and trust in village leaders (5-6). Exposure to armed conflict is measured by the number of battle events (in 10s) realized within 15km radius of the household residence. Controls include: livestock ownership, asset ownership index, housing condition index, and ownership of farming equipments index.

Table A3: Armed Conflict, Cash transfer and trust in local leaders

	Trust in local leaders		Trust in district leaders		Trust in village leaders	
	(1)	(2)	(3)	(4)	(5)	(6)
Number of battle events - 20km	-0.117***	-0.154***	-0.111***	-0.142***	-0.117***	-0.147***
	(0.024)	(0.033)	(0.023)	(0.035)	(0.023)	(0.032)
Treatment X Number of battle events - 20km	0.067**	0.105***	0.062**	0.093**	0.067**	0.098**
	(0.031)	(0.038)	(0.029)	(0.039)	(0.031)	(0.038)
Post-conflict (Year = 2023)	0.209***	0.219***	0.238***	0.247***	0.216***	0.227***
	(0.045)	(0.046)	(0.042)	(0.043)	(0.045)	(0.046)
Treatment X Post-conflict (Year = 2023)	-0.073	-0.081	-0.072	-0.079	-0.074	-0.082
	(0.053)	(0.054)	(0.051)	(0.051)	(0.053)	(0.054)
Constant	0.279***	0.274***	0.318***	0.304***	0.310***	0.302***
	(0.012)	(0.016)	(0.011)	(0.017)	(0.011)	(0.016)
Household FE	YES	YES	YES	YES	YES	YES
Controls	NO	YES	NO	YES	NO	YES
Observations	5,742	5,707	5,742	5,707	5,742	5,707

Notes. This table reports results from fixed-effects regressions of trust in local leaders (binary variable taking the value of 1 if a respondent trusts both district and village leaders and 0 otherwise) (columns 1-2), trust in district leaders (columns 3-4), and trust in village leaders (5-6). Exposure to armed conflict is measured by the number of battle events (in 10s) realized within 20km radius of the household residence. Treatment is a binary variable taking a value of 1 for those communities and households assigned to the cash transfer intervention and 0 otherwise. Controls include: livestock ownership, asset ownership index, housing condition index, and ownership of farming equipments index. Standard errors, clustered at village (*kebele*) level, are given in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Table A4: Armed Conflict, Cash transfer and trust in local leaders - disaagregated treatments

	Trust in local leaders		Trust in district leaders		Trust in village leaders	
	(1)	(2)	(3)	(4)	(5)	(6)
Number of battle events - 20km	-0.117***	-0.155***	-0.111***	-0.142***	-0.117***	-0.148***
	(0.024)	(0.033)	(0.023)	(0.035)	(0.023)	(0.032)
Discretionary X Number of battle events - 20km	0.020	0.058	0.020	0.052	0.027	0.058
	(0.039)	(0.045)	(0.044)	(0.052)	(0.043)	(0.048)
Rule based 10k X Number of battle events - 20km	0.087**	0.125***	0.084**	0.115**	0.089**	0.120***
	(0.037)	(0.043)	(0.036)	(0.045)	(0.037)	(0.043)
Rule based 20k X Number of battle events - 20km	0.072*	0.110**	0.062*	0.094**	0.065	0.096**
	(0.041)	(0.046)	(0.033)	(0.042)	(0.040)	(0.046)
Post-conflict (Year = 2023)	0.209***	0.219***	0.238***	0.247***	0.216***	0.227***
	(0.045)	(0.046)	(0.042)	(0.043)	(0.045)	(0.046)
Discretionary X Post-conflict (Year = 2023)	-0.023	-0.033	0.003	-0.007	-0.033	-0.044
	(0.061)	(0.062)	(0.061)	(0.062)	(0.062)	(0.062)
Rule based 10k X Post-conflict (Year = 2023)	-0.107*	-0.116*	-0.125**	-0.131**	-0.095	-0.104
	(0.062)	(0.063)	(0.060)	(0.061)	(0.064)	(0.065)
Rule based 20k X Post-conflict (Year = 2023)	-0.078	-0.082	-0.089	-0.092	-0.086	-0.091
	(0.072)	(0.071)	(0.071)	(0.070)	(0.071)	(0.070)
Constant	0.280***	0.274***	0.319***	0.305***	0.310***	0.302***
	(0.011)	(0.016)	(0.011)	(0.017)	(0.011)	(0.016)
Household FE	YES	YES	YES	YES	YES	YES
Controls	NO	YES	NO	YES	NO	YES
Observations	5,742	5,707	5,742	5,707	5,742	5,707

Notes. This table reports results from fixed-effects regressions of trust in local leaders (binary variable taking the value of 1 if a respondent trusts both district and village leaders and 0 otherwise) (columns 1-2), trust in district leaders (columns 3-4), and trust in village leaders (5-6). Exposure to armed conflict is measured by the number of battle events (in 10s) realized within 20km radius of the household residence. "Discretionary" is an indicator variable for those households assigned to the discrationary targeting with a budget of 20,000 ETB while "Rule-based 10k" captures those communities and households assigned to the rule-based targeting with constrained budget of 10,000 ETB. "Rule-based 20k" is another indicator variable for those households assigned to the rule-based targeting with relaxed budget of 20,000 ETB. Controls include: livestock ownership, asset ownership index, housing condition index, and ownership of farming equipments index. Standard errors, clustered at village (*kebele*) level, are given in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Table A5: Conflict, cash transfer and trust in local leaders - disaggregation by eligibility to receive the cash transfer

	Trust in local leaders		Trust in district leaders		Trust in village leaders	
	(Eligible)	(Ineligible)	(Eligible)	(Ineligible)	(Eligible)	(Ineligible)
Number of battle events 15km (in 10s)	-0.219***	-0.213***	-0.206***	-0.173***	-0.218***	-0.218***
	(0.058)	(0.058)	(0.066)	(0.063)	(0.055)	(0.058)
Discretionary X Number of battle events - 15km	0.109	0.168**	0.102	0.154*	0.119*	0.197**
	(0.071)	(0.079)	(0.083)	(0.082)	(0.071)	(0.084)
Rule based 10k X Number of battle events - 15km	0.168**	0.186**	0.169**	0.128	0.168**	0.199**
	(0.070)	(0.084)	(0.077)	(0.085)	(0.066)	(0.088)
Rule based 20k X Number of battle events - 15km	0.162**	0.207***	0.153**	0.133*	0.156**	0.206***
	(0.075)	(0.063)	(0.075)	(0.069)	(0.070)	(0.064)
Post-conflict (Year = 2023)	0.186***	0.282***	0.218***	0.299***	0.195***	0.306***
	(0.044)	(0.073)	(0.040)	(0.075)	(0.043)	(0.074)
Discretionary X Post-conflict (Year = 2023)	0.011	-0.263**	0.031	-0.215	-0.003	-0.278**
	(0.062)	(0.126)	(0.062)	(0.136)	(0.062)	(0.123)
Rule based 10k X Post-conflict (Year = 2023)	-0.087	-0.169	-0.115*	-0.145	-0.072	-0.190
	(0.061)	(0.112)	(0.059)	(0.110)	(0.062)	(0.114)
Rule based 20k X Post-conflict (Year = 2023)	-0.039	-0.277**	-0.055	-0.258**	-0.052	-0.296***
	(0.072)	(0.115)	(0.070)	(0.118)	(0.072)	(0.104)
Constant	0.263***	0.304***	0.295***	0.328***	0.288***	0.339***
	(0.018)	(0.031)	(0.019)	(0.034)	(0.017)	(0.032)
Observations	4,608	1,099	4,608	1,099	4,608	1,099
R-squared	0.060	0.057	0.072	0.067	0.060	0.065
Number of hh_id	2,315	556	2,315	556	2,315	556
Household FE	YES	YES	YES	YES	YES	YES
Controls	YES	YES	YES	YES	YES	YES

Notes. This table reports results from fixed-effects regressions of trust in local leaders (binary variable taking the value of 1 if a respondent trusts both district and village leaders and 0 otherwise) (columns 1-2), trust in district leaders (columns 3-4), and trust in village leaders (5-6). Odd column results are for eligible households while even column results are for ineligible households. Exposure to armed conflict is binary taking a value of 1 if above median number of battle events (above zero) within a 15-kilometer radius of household residence, 0 otherwise. "Discretionary" is an indicator variable for those households assigned to the discretionary targeting with a budget of 20,000 ETB while "Rule-based 10k" captures those communities and households assigned to the rule-based targeting with constrained budget of 10,000 ETB. "Rule-based 20k" is another indicator variable for those households assigned to the rule-based targeting with relaxed budget of 20,000 ETB. Controls include: livestock ownership, asset ownership index, housing condition index, and ownership of farming equipments index. Standard errors, clustered at village (*kebele*) level, are given in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

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