

Financing Development

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Productive employment

Minister Dirk Niebel:
“The best way to lift
people out of poverty”

SANAD creates future
prospects for young
people in the Arab world

Peacebuilding with
jobs and infrastructure
in the DR Congo

Social peace

Access to decent jobs is vital for social stability and development.

Since the beginning of the Arab Spring in Tunisia and the overthrow of Egypt's autocratic President Hosni Mubarak, African governments worry about unemployed and underemployed youth. Over time, discontent among young people is a recipe for political instability even in democratic systems. "People need real prospects, an acceptable standard of life and social security," says Joachim Heidebrecht, head of KfW's development research team. "They don't want to slave away for 12 hours a day or more as farm workers without rights or as rickshaw pullers, and still be unable to make ends meet."

Since the poor literally cannot afford to be out of work, the problem in developing countries is not so much formal unemployment. The real challenge is an estimated 900 million people worldwide

who work under gruelling, sometimes inhumane conditions and still earn less than two dollars a day to feed themselves and their family. These "working poor" are the key issue for poor-country governments, and accordingly for development cooperation too.

“People need real prospects.”

"A public bank such as KfW development bank, which operates on behalf of Germany's Federal Government, cannot create jobs abroad on a large scale," Heidebrecht points out. Jobs are generated by the private sector. But what KfW can do – Heidebrecht adds – is to help im-

prove the job markets in poor economies. "The first priority is to work towards reasonable labour conditions, creating a growth-friendly environment and promoting labour-intensive investments." In addition, people have a better chance of getting a job if they are well educated and in good health.

What similarly matters, Heidebrecht argues, is an efficient financial sector that supports the development of small and medium-sized enterprises (SMEs). "Even in Germany, the SME sector is a key driver of job creation." For private-sector investments to look attractive, a country needs an adequate infrastructure, including roads, telecommunications as well as power and water supply. No dynamic SME sector can develop without electric power and water, roads to the next towns or telephone lines.

While it is important to promote SMEs and create a basic infrastructure for business, one must not forget that many economies – especially in Africa – are still dominated by the informal sector. As much as 80% of the economically active population of a developing country work in informal settings – most out of sheer necessity. They toil as tailors, street vendors or car-washers at road junctions to earn a few cents for the next meal.

Experts agree that the informal sector serves important functions. It cannot simply be banned or abolished. Efforts need to aim at harnessing the informal economy's advantages – for instance by providing microcredit – as well as at reducing its downsides such as exploitative work conditions or unacceptable labour and social standards. Basically speaking, anything that improves the employment situation will also help to reduce poverty and ensure social peace. In other words, it will boost the chances of positive and sustainable development.

Hans Dembowski //



Vocational training improves job opportunities.



<http://www.kfw.de>

“The best way to lift people out of poverty”

German development policy is geared to promoting growth and employment in cooperation countries. The emphasis is on creating jobs and on strengthening the rights of people working in the informal sector. The important thing, says Dirk Niebel, Germany's federal minister for economic cooperation and development, is to involve the private sector and civil society.

Why does Germany's federal government consider it important to promote employment in developing countries?

Our government's new development policy is very clear on one point: sustainable development is impossible without economic development. For economic development to happen, the private sector and civil society must be involved. Secure employment is demonstrably the best way to lift people from poverty. It generates more than just income; it also leads to self-esteem, social esteem and inclusion. Gainful employment benefits society as a whole too. Countries where people can earn a living wage tend to be more stable and more peaceful. What is more, by specifically promoting female employment, we can make an important contribution to gender equality.

What is the best way to tackle the politically sensitive issue of youth unemployment?

In our cooperation countries in North Africa, vocational schools and universities produce twice as many graduates as the economies generate jobs. The result is severe political volatility. Youth unemployment can be reduced in the short term by some measures, including the improvement of job placement services, skills development programmes and public employment programmes for the low- and unskilled. In the long run, however, the countries concerned need to reform their education systems. Vocational education and training need to be better geared to delivering the

skills that are in market demand. Above all, however, any lasting solution to this problem depends on continuous and sustainable economic growth – and the additional demand for labour such growth generates. We are resolutely committed to this cause.

100
million additional
health insured
in India

According to the International Labour Organisation, there are 200 million people in the world with no work and another 900 million with no kind of social safety net and an income of less than two dollars a day. What should be done?

A large share of the people in developing countries cannot afford to be out of work for long, so they look for jobs in the informal sector. Their pay is very low, and they enjoy no social protection whatsoever. Some kind of basic safety net should protect these people in the event of illness, infirmity, failed harvests et cetera. Accordingly, German development cooperation supports innovative insurance systems that focus particularly on people in poverty and in the informal economy. One example is a health insurance programme developed in India with German support and implemented in 2008 in conjunction

with private sector companies. More than 100 million people have signed up, paying a small annual contribution in return for free access to inpatient and outpatient treatment at hospitals.

Some 50% to 80% of the economically active people in developing countries work in the informal sector. They are denied fundamental rights. What can be done in their support?

Yes, the informal sector is very real in the countries we cooperate with, and that will stay so for many years to come. In terms of employment, the informal sector matters very much as the statistics show. So targeted action is needed to improve the economic environment for small businesses and the people they employ. Other relevant policy levers are labour and social standards defined in consultation with employers. In principle, such standards apply to all forms of employment, but for all practical purposes, they tend to benefit only employees in the formal sector. Migrant workers, small farmers or subcontractors and their staff usually lose out. Whether agreed standards are effective crucially depends on whether they can be monitored. But it is extremely expensive and sometimes even impossible to monitor the labour conditions of, say, homeworkers in India's textile sector. Nonetheless, some promising projects are underway. Initiatives such as Social Accountability International (SAI) and the Ethical Trading Initiative (ETI), for example, have developed special programmes and training projects to help organise women homeworkers in stronger groups, make them aware of their rights and inform them about governmental insurance and loan programmes. I'll admit, however, that much more needs



Dirk Niebel
is Germany's federal minister for economic cooperation and development.



Women's employment serves gender equality.

to be done to tackle the underlying problems.

What do you say about “jobless growth” – the phenomenon of economic growth that bypasses broad sections of the people?

More jobs and less poverty can only result from growing economies. At the same time, the impacts of growth on the labour market may differ depending on the business environment and the dynamism of an economy. So efforts need to be geared to improving the business climate in general. At the same time, they must promote those sectors and areas that have the greatest potential for sustainably reducing poverty and generating long-term gainful employment. In many instances,

“ Sustainable development cannot be achieved without economic development. ”

it has proven effective to promote medium-sized, small and micro-enterprises and to boost the employability and employment opportunities of poorer people – especially women. In a growing economy, such a policy can facilitate lots of productive new jobs for the poorer sections of the population.

Building infrastructure is normally labour-intensive and serves a better business environment by improving production and marketing conditions. Where do you see the greatest need for

action in this area?

The impact of infrastructure projects is particularly sustainable when local suppliers and workers are involved. If projects additionally foster skills that are in market demand, they will have an even greater impact because they will boost the future employment opportunities of those who initially constitute a largely low-skilled workforce. In Algeria alone, renewable energy and energy-efficient construction projects could generate a million jobs by 2025. Our aim is to tap that potential in cooperation with the private sector. //



Germany's Federal Ministry for Economic Cooperation and Development
<http://www.bmz.de>

More jobs for North Africa and the Middle East

The SANAD Fund supports micro, small and medium-sized enterprises, thus creating economic prospects.

The protests started in Tunisia. At the end of 2010, a growing number of people in the country were demonstrating against high food prices and unemployment. Well trained and highly educated young people took to the streets because they saw no opportunities for themselves. The Arab spring followed, leading to the overthrow of regimes in Tunisia, Egypt and later Libya and Yemen. But in many countries the road to democracy is still full of obstacles. Autocratic Syria is currently suffering from escalating violence.

The SANAD Fund was initiated by KfW in August 2011 with money from Germany's Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission. Its mission is to support reforms and help provide people with economic prospects and jobs. SANAD is Arabic for "assistance".

"We aim to get as many young people into jobs as possible across North Africa and the Arab world," says Matthias Zilbauer of KfW. He points out that 20 to 35-year-olds make up around a third of the population of Arab countries – and unemployment in their age group is high. In Tunisia, Egypt and Yemen, one in three young people is out of work. Many others are underemployed and poorly paid. For the future outlook of Arab youth, it is vitally important to increase the number of decent jobs.

In North Africa and the Middle East, micro, small and medium-sized enterprises (MSMEs) play a very important role. They account for 60% to 70% of economic output and are the backbone of local labour markets. Currently, however, many MSMEs struggle to get loans.

This is where the SANAD Fund comes in. It refinances local partner banks, if they



SANAD supports jobs in the fast food business and other industries.

issue loans to MSMEs and business startups – and thus make an important contribution to employment promotion. SANAD money allows greengrocers to buy new sets of scales, dressmakers to buy sewing machines and owners of a car repair shop to hire an additional mechanic. As economic activity picks up, yet more jobs are created.

SANAD started with € 42 million from the BMZ and another € 10 million from the European Union. In the long term, SANAD plans to raise funds from private investors too.

SANAD concluded the first loan agreement, for \$ 5 million, with a Lebanese bank early this year. A second agreement worth \$ 3 million was recently signed with a microfinance institution in Jordan. Around 2,000 micro-enterprises could benefit, and they will create jobs across their region. (loi) //



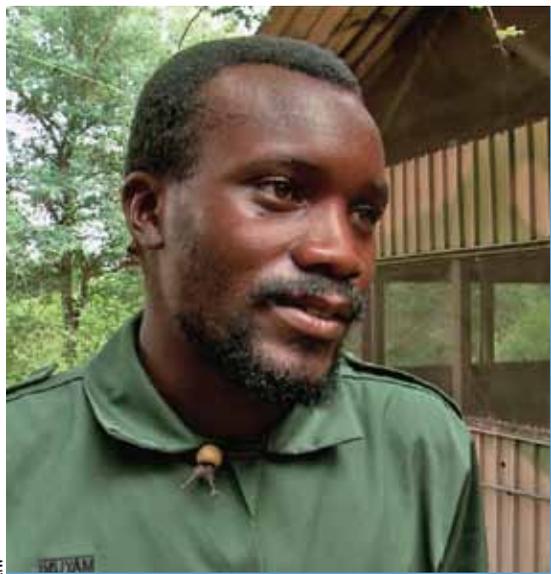
Asparagus farming creates jobs

In Peru, the labour-intensive horticulture sector gives many unskilled workers jobs and incomes. Vegetable exporter DanPer Trujillo provides employment to some 10,000 people. The company not only exports vegetables; it also grows its own asparagus and artichokes. DEG – Deutsche Investitions- und Entwicklungsgesellschaft – has provided DanPer with a long-term loan of \$ 10 million to upscale its own farming operation. The exporter pays above-average wages and supports local community projects, for instance by helping to refurbish schools, improving drinking water supply and upgrading waste disposal systems. DEG belongs to KfW banking group and supports private sector investments in developing countries.

<http://www.deginvest.de>

Conserving nature, creating jobs

KAZA in southern Africa: ecotourism contributes to fighting poverty.



Ranger Kennedy Tatalife finally has a permanent job.

Kennedy Tatalife goes to work in a green shirt with shoulder flaps and matching trousers. When he is on patrol, he carries a rifle. He is a ranger in a national park in Namibia. “The regular salary has transformed my life,” he says. Tatalife works in what is called a “conservancy”, an area where nature and wildlife are protected – and where the local community benefits from ecotourism.

In the meantime, five countries have embraced that approach: Angola, Botswana, Namibia, Zambia and Zimbabwe. Their borders are straddled by what is potentially the largest transfrontier conservation area on Earth. The name KAZA comes from the Kavango and Zambezi rivers that flow through the protected zone. It has the size of Sweden. The heads of state signed the KAZA treaty in August 2011, and the conservation area was officially launched in March 2012. If all

goes according to plan, new transnational habitats will soon be created allowing elephants, zebras, rhinoceroses and other wildlife populations to resume age-old migration patterns.

KfW development bank supports KAZA on behalf of Germany’s Federal Government to the tune of €20 million. The purpose is not only to conserve nature but also to reduce poverty and create jobs. “Human presence used to be seen as a problem for nature conservation,” says Ralph Kadel of KfW, “but that does not help.” In his view, it is much better “to give

local communities a stake in wildlife parks”. They should make some money and also be granted sustainable land-use rights.

A guiding idea of KAZA is that tourists will be attracted to where wildlife is free to roam. The conservation area needs operators, drivers, tourist guides and rangers – so it creates job opportunities for local people. Tourist

lodges are required to recruit at least 50% of their staff locally. “Every seven to eight tourists create a job, which can feed up to 15 people,” Kadel calculates. All summed up, KAZA is expected to provide employment for thousands of people.

Subnational authorities will also benefit because they will get a share of profits the lodges in their area make. It

“Every seven to eight tourists create one job.”

will be up to them to decide whether they invest the money in new wells, schools or health centres.

Chris Weaver of the WWF, an international environmental NGO, developed the concept of “conservancies” for Namibia. He has witnessed local attitudes change. “Today, people perceive wildlife protection as a livelihood bonus,” he reports. And KfW project manager Kadel is pleased to note that government officials from Botswana and Zambia are eager to learn more about the Namibian experience. “Word of success spreads fast,” he says. The conservancy concept is attractive because it ideally combines two important goals: it preserves biodiversity and reduces poverty by creating lots of new jobs. (loi) //



“Green jobs”

“Green jobs” help to protect the environment and mitigate the effects of climate change. Any job in an eco- and climate-friendly industry can qualify for the “green” or “eco” label, and so can jobs that contribute to the transformation to a sustainable economy. In the energy sector, green jobs are increasingly replacing jobs in fossil technologies. In other sectors, totally new jobs are being created – such as climate change experts or tourist guides in sustainably managed national parks. (loi)

No peace without jobs

Infrastructure reconstruction is creating new opportunities in the Democratic Republic of the Congo.

The road runs from economically advanced Africa to a crisis region: the highway from Rwanda's capital Kigali to the Democratic Republic of the Congo (DRC) ends abruptly at the border. "Many roads in Congo are still destroyed or marked by potholes. Behind the border, you cannot travel fast," says Philipp Wyrsh of KfW. After the mass murder of minority Tutsis in 1994, Rwanda is now considered an example of political stability, whereas the eastern provinces of the neighbouring DRC continue to be plagued by unrest. There is intermittent violence between rebel groups, criminal gangs and the army.

The DRC is devastated, and there are hardly any operational government structures. The jungle is reclaiming farmland, and there are not enough schools and health centres. The only links between towns tend to be muddy, pock marked tracks. After years of civil war, the DRC is a fragile state in need of support. "The people long for peace and some sense of a better future," says Wyrsh.

KfW development bank has contributed € 50 million to a peace fund on behalf of Germany's Federal Ministry for Economic Cooperation and Development (BMZ). This fund supports the rebuilding of social institutions, the reconstruction of economically relevant infrastructure and the rehabilitation of abandoned farmland, thus helping to stabilise three regions in the east of the country as well as the area around Kinshasa, the capital. All its efforts boost employment.

So far, some 460 kilometres of roads have been restored for traffic in the three eastern provinces of North Kivu, South Kivu and Maniema. Another 400 kilometres will follow. "Roadbuild-

ing creates short-term employment and helps refugees and ex-combatants to re-integrate into society," Wyrsh notes. Construction work can stop young men from re-joining marauding gangs for sheer lack of alternatives. It is estimated that the fund has helped generate around 2.4 million person-days of employment. That is equivalent to around 20,000 short-term jobs for four months.

1,500
hectares of rehabilitated
farmland

In the long run, better infrastructure will stimulate the local economy, facilitating inter-urban trade and promoting growth and employment. Money from the peace fund will contribute to building 68 schools, five hospitals and 52 health

centres. "Teachers and medical professionals will be needed there," Wyrsh points out. The fund has also earmarked money for the construction of 1,000 homes for returning refugees, 13 water supply systems, 16 reservoirs and 100 kilometres of water pipes.

Thanks to the fund, the crisis areas now have 116 rehabilitated bridges, functioning markets and more than 1,500 hectares of land restored for agricultural use. "We are creating gainful employment which helps people escape the war economy," Wyrsh explains.

To speed up progress and assistance to the people, KfW is cooperating with non-governmental organisations. "In the long run, however, government structures need to be strengthened", the KfW project manager points out, "especially in eastern Congo." Trust in society can only grow again once basic services like school education and healthcare are restored by the government. And trust is essential for a healthy investment climate in which more employment will be generated. (loi) //



Construction site in the eastern DRC.

Profile of Dhiraj Dolwani

Jobs for young people in rural India: a social entrepreneur is creating employment in a remote region.

As an entrepreneur, Dhiraj Dolwani is not merely interested in profit. He wants to contribute to more social justice and employment. He deliberately started his business, the digitised services company B2R, in the north Indian state of Uttarakhand, so it would create jobs for young people and help stem rural exodus. "Business interests and social goals can be reconciled," the 42-year-old social entrepreneur says. This is the spirit in which he and his partner Venkatesh Iyer started the company in 2009.

B2R does work on assignment from other firms. For instance, it maintains databases, performs bank transactions and carries out administrative tasks. The company also produces e-books for major publishing houses. Most outsourcing companies of its kind are located in big cities like New Delhi or Mumbai, but they usually recruit staff in rural areas. One social consequence is that young people leave the provinces only to feel lost in an urban agglomeration.

B2R's philosophy demonstrates a convincing alternative: "We bring work to the people." Dolwani and Iyer decided against a metropolitan location for their business; they want rural India to benefit from their industry's boom. Continuous contact to their customers is guaranteed via the internet. In hilly Uttarakhand, with its small and sometimes inaccessi-

ble villages, most people scrape a living from farming and from the scant tourism their state attracts. "We have added other vocational prospects, so our employees do not have to choose between earning money and staying with their family," Dolwani reasons.

B2R started out with just 19 employees and a single regular client. Today, it is working for 15 regular clients and has hired nearly 250 men and women. All staff members at the company's five locations come from local villages.

A whole region is benefiting from the entrepreneurial spirit of Dolwani and Iyer. Dolwani reckons that each employee's wage feeds four people on average. He also estimates that the households concerned have two to three times more money than before B2R was started. Additional incomes boost the sales of local food stores, teashops and other retail businesses. Moreover, B2R pays a third of its profits in taxes to local municipalities. "This is our modest contribution to nation-building," Dolwani says.

The entrepreneur is grateful to the KfW sponsored Aavishkaar Fund, which invested in his company. "Without it, we would not have been able to grow so fast," he points out. And he sees further scope for growth. His business



Dhiraj Dolwani (right) with his business partner Venkatesh Iyer.

plan anticipates expansion to 60 or 70 locations in coming years and employing up to 6,000 people. The bulk of operations, however, will stay at the foot of the Himalayas in Uttarakhand. Dolwani says that he is committed to that goal. *Stephan Loichinger //*

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