

Employment in fragile contexts

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In fragile contexts employment serves a special purpose. It gets unemployed youth and ex-combatants "off the street", thereby reducing the danger of further outbreaks of violence. In addition to income, employment can also create identity and social networks and help develop an improved social coexistence. In fragile contexts employment is the engine for peaceful growth and thus an essential element for KfW's activities in fragile contexts.

The role of employment in fragile contexts

Fragile contexts are those in which states are not able to fulfil their fundamental duties and guarantee their citizens elementary services and security. This is often the result and cause of violent conflicts and repeated local, regional or country-wide outbreaks of violence. Therefore these countries often lack important basic infrastructure and there is legal uncertainty, corruption and distrust of the state institutions.

As a result fragile contexts provide difficult framework conditions for employment. At the same time surveys in the context of the "Voices of the Poor" projects of the World Bank¹ show that after violent conflicts the highest priority of the population in fragile states is fundamental security and individual economic survival. The essential prerequisites to achieve this are employment and income. Moreover, non-working (so-called "idle") youth pose a serious potential for conflict in fragile contexts. A survey for the World Development Report 2011 in selected fragile states shows that a lack of "peaceful" income possibilities is one of the main reasons for participation in rebel and criminal groups (see graph).

Employment in fragile contexts is however not

only important as a source of income. World Bank analyses³ show that employment is closely tied to personal identity, trust in institutions and the willingness to engage in society. Accordingly, employment can positively influence social cohesion by strengthening the relationships between people, including those with different socio-economic or ethnic backgrounds. This is particularly important in fragile contexts where many people have lost their trust in social relationships due to experiences of violence.

KfW approaches to promoting employment in fragile contexts

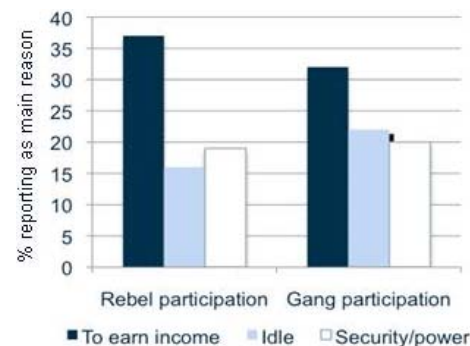
The conflict-prone environment and lack of vital basis services in fragile states often require implementing fast-acting measures with direct effects on income. Capacities for swiftly absorbing workers exist primarily in the informal sector, particularly in agriculture. However at the same time the growth of the formal sector is important in the long term for creating "good" jobs with higher labour standards and a minimum level of social protection.

Therefore, KfW promotes employment in fragile contexts through both multi-sectoral projects aimed at directly bringing stabilisation or developing peace, as well as through sectoral projects to improve the framework conditions for the private sector.⁴

Employment as means of stabilisation and contribution to develop peace

In fragile contexts KfW finances multi-sectoral projects whose defined goal is the creation of

What drives people to join rebel movements and gangs?



Source: World Development Report 2011

income possibilities as a contribution to peace consolidation. These projects are designed to enable both material survival as well as peaceful coexistence. The income possibilities comprise informal and formal, self-employed and dependent, and short and long-term employment.

The projects support both the demand and supply side: on the demand side the creation of jobs is supported, while on the supply side the working population is made familiar with the labour market. In the process the projects also help provide the necessary social and economic infrastructure for the people and boost agricultural and handicraft production and local services. Both contribute to revitalising local economic cycles. This results in the following employment effects:

On the demand side *direct short-term employment* is created through the labour-intensive design of infrastructure measures (schools, hospitals, roads, markets etc) and the recultivation of agricultural lands (cash-for-work measures). These measures usually last approximately three to five months and in

¹ See also World Development Report 2011: Conflict, Security and Development, World Bank, Washington, p. 147.

² See also World Development Report 2013: Jobs. Outline, October 25, 2011, World Bank, Washington, p. 6.

³ See also *ibid.*, p. 15 f.

⁴ See also FC Annual Report 2011: Development in Fragile States: Overcoming Crises, Creating Prospects, KfW Entwicklungsbank, Frankfurt.



Road construction in Afghanistan

Source: KfW Photo Archive / auslöser photographie

fragile contexts can help provide returnees with their first opportunities to earn money and allow them to gain work experience. The number of short-term jobs created depends directly on the available investment volume. For example the peace fund project in the Democratic Republic of Congo has thus far provided EUR 38 million to rehabilitate social and economic infrastructure and implement agricultural measures, thereby generating 2.4 million person days of short-term work. This equals about 20,000 short-term jobs based on an average employment period of four months. Approximately 20 % of the investment amount goes towards labour costs.

These short-term workers generate additional demand, e.g. for food, leading to *indirect short-term employment*. For example, in Sierra Leone it has been noted that every 100 directly created jobs lead indirectly to 5 to 10 additional jobs alone for food vendors.

Direct long-term employment arises from the operation of newly created infrastructure, such as for the administration of a new market or the teaching staff for new schools. The *indirect long-term employment effects* are much greater but are more difficult to measure. Additional cropland for agricultural production, rehabilitated roads, access to markets and other important market infrastructure (e.g. storage space or cattle paddocks) lead to

opportunities to transition from subsistence farming to the marketing of agricultural products. This additional economic activity in turn creates incentives for the establishment of small and micro businesses. It has been shown that important newly created infrastructure, such as e.g. bus stations, acts as an income multiplier and generates numerous new jobs in the service sector (mechanics, storeman, salesperson etc).

On the supply side, in its multi-sectoral programmes KfW supports parallel measures for training of workers. Years of violent conflicts in fragile states often result in a lack of a well-qualified labour force. Either workers have left, not received training or lost the required abilities during the years of war ("forgetting by not doing"). Therefore measures are required which increase the employability and the entrepreneurship of the people. For example, KfW supports "on-the-job" trainings which take place during the construction phase, shortened vocational training measures (approx. 6 months) and particularly training in the planting and cultivation of cropland to increase the economic independence of smallholders. A shortened school education to make up for missed schooling can make sense if completing school was not possible during the years of war.

For all measures KfW makes sure to use opportunities for promoting social cohesion. For example, internally displaced people are employed in construction together with local workers. However these programmes must also not cause new conflicts. These could arise, for example, if the project does not meet workers' expectations for long-term employment.

Promoting the overall conditions for employment in the private sector

As a strong private sector is decisive over the long term for a high employment rate, KfW is also working on improving the framework conditions for the private sector in fragile contexts. In particular small and micro enter-

Microfinance in Sierra Leone

In order to stimulate small and micro enterprises, KfW set up a fund in 2004 together with other international donor institutions designed to refinance and strengthen the capacities of microfinance institutions. Various newly founded microfinance institutions have received support through the fund. Currently there are more than 100,000 borrowers registered in Sierra Leone. The supported microfinance institutions are in a stronger position, both economically and institutionally.

From: KfW (2012), "Development in Fragile States: Overcoming Crises, Creating Prospects".

prises play a key role in creating long-term jobs. However these enterprises face enormous challenges in fragile contexts. According to a survey of enterprises in fragile states⁵, some key business barriers include the lack of electricity (68 %), lack of access to financial services (56 %), corruption (48 %) and poor transport (38 %).

Correspondingly KfW promotes larger infrastructure projects in key areas, such as the restoration of the electricity supply in Kabul, the construction of hydropower plants in Nepal or main highways in Liberia through a *multi-donor trust fund*. Along with the indirect employment effects through improved framework conditions for enterprises, the recruitment of local workers for the construction of infrastructure leads to direct short-term employment as well as indirect employment due to increased demand.

In addition to infrastructure projects KfW is also often active in the financial sector in fragile contexts. The goal is to create stable and trustworthy financial institutions which grant loans that are fair and tailored to the needs of micro and small enterprises. Improving access to capital enables the poor to implement their business ideas or expand their business, thereby creating new income possibilities for themselves or even for employees.

⁵ See also Leo, B. et al: Supporting Private Business Growth in African Fragile States. Center for Global Development, 2012, Washington, p. 13.

Conclusion

Employment is the key factor for more stability in fragile contexts along with security. At the same time a stable environment is a prerequisite for strengthening the private sector, which is essential for creating jobs. Therefore in

fragile contexts KfW addresses both aspects through its projects, thereby promoting both direct and indirect employment on a broad scale. However there is a need to systematically collect and analyse the employment effects. In particular indirect employment effects have thus far been difficult to quantify.

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http://www.kfw-entwicklungsbank.de/ebank/DE_Home/Sektoren/Friedensentwicklung/index.jsp

