

»» Materials on Development Financing



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From emergency aid to long-term structural development KfW Development Bank and transitional aid

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Organising the transition from acute crises to building up a sustainable state is a core development policy task that is increasingly gaining importance in view of the global political situation. On behalf of the German Federal Government, and funded by it, KfW implements a broad spectrum of measures in transitional aid and works with different partners depending on the country context. The overarching aim of these measures is to effectively interlink short-term aid and structure-building development cooperation.

The transitional aid challenge

Development cooperation has been confronted with a steadily rising number of acute crises in recent years. The number, and above all the intensity, of civil wars worldwide have risen sharply in recent years and there are a growing number of lasting and recurring hot spots ("protracted crises"). As a direct result there are currently over 60 million refugees worldwide, which is by far the highest figure since

the end of the Second World War. In addition, climate change is giving rise to a growing number of weather-related extreme events like droughts, storms or floods, which are also forcing millions of people to flee (end of 2014: 19.3 million persons worldwide). Overall, crises seem to be a new permanent state globally ("crisis is the new normal").

To some extent development cooperation is struggling to come up with an adequate response to acute crises, since the focus is often either on quick humanitarian aid or on building up long-term structures. Less attention, by contrast, is paid to organising the transition from an acute crisis situation to the development of sustainable structures. This is partly due to the fact that transitional aid requirements can be complex and contradictory. Sustainable stabilisation and state-building are primarily successful in cases where development cooperation uses the structures of partner countries. At the same time, however, state partners are often not in a position to act, particularly in the early

stages of transition. In addition, swift aid is normally required in acute crises, which is often incompatible with the way donors work (lengthy procedures) and the local situation (weak capacities, critical security situation etc.).

Despite these difficulties the prevailing view internationally is that emergency aid and structure-building development cooperation have to be interlinked more effectively (Linking Relief, Rehabilitation and Development, LRRD).

KfW Development Bank and transitional aid

On behalf of the German Federal Government, KfW Development Bank implements a steadily growing number of projects in the field of transitional aid. Annual commitments in countries with acute escalation potential (according to the Federal Ministry for Economic Cooperation and Development's early warning system for crises) rose from EUR 0.37 billion in 2010 to EUR 1.39 billion in 2015. The

majority of projects financed with these funds can be categorised as transitional aid.

In line with the German Federal Government's strategy, KfW pursues the goal of stabilising the population's livelihoods and their resistance (resilience) to crises with its FC transitional aid projects. The improvement in the population's living conditions should also legitimise government structures and thus make a contribution to state-building.

»»» Peace fund – Democratic Republic of Congo

The Democratic Republic of Congo has been marked by armed conflicts for decades. On behalf of the German Federal Government KfW, together with the Congolese Government, has set up a "peace fund". By obtaining swift and visible improvements in living conditions, the fund's measures aim to restore confidence and secure lasting peace, especially in the east of the country. To date 46 individual projects have been financed by the fund, including the rebuilding of schools, health care units, rural roads, bridges and markets. In the current project phase that commenced in 2012 another 20 individual projects are being implemented.



Source: KfW Photo Archive / photothek.net

A broad and context-specific spectrum of measures

KfW finances a broad range of transitional aid measures on behalf of the German Federal Government, which are adapted as effectively as possible to the context and needs of individual countries.

Transitional aid after armed conflicts: after armed conflicts there is an attempt to stabilise the regions affected by providing multi-sectoral basic infrastructure and services. This includes financing the reconstruction of schools, health units, rural roadways, bridges and markets. The rapid and comprehensive improvement in living

conditions accompanying such measures increases the value of peace for the population (peace dividends), strengthens trust in the state and thus helps to create a lasting peace. Local workers, including ex-combatants and refugees, are primarily recruited for labour-intensive projects. This creates income and employment and offers a future beyond violence.

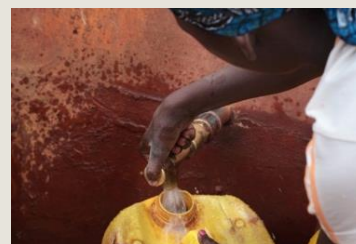
Good examples of this approach are the peace fund in the Democratic Republic of Congo, the reintegration and reconstruction programme in Liberia, the programme on poverty-oriented economic development and peace consolidation in Sierra Leone, as well as the stabilisation programme in northern Afghanistan, which are all financed on behalf of the German Federal Government and by the funds provided by it.

Transitional aid after natural disasters: in the wake of natural disasters the aim is also to stabilise the regions affected by quickly restoring access to economic and social services. In response to typhoon Haiyan on the Philippines in 2013, for example, aid was used to finance the reconstruction of roads, bridges, water and waste disposal systems, hospitals, schools and jetties. A programme for investment in health, energy and local infrastructure was also set up after an earthquake hit Nepal in 2015.

In drought catastrophes the focus is initially on swift food aid. In response to the drought that struck the Horn of Africa in 2011, KfW initially financed seven food distribution aid programmes on behalf of the German Federal Government, which were implemented in close cooperation with the World Food Programme in five countries (Kenya, Ethiopia, Djibouti, Uganda and Yemen). A total of 8.5 million people benefitted from this short-term aid. Since droughts on the Horn of Africa are a recurring phenomenon, a longer-term approach to strengthening drought resilience was developed at the same time. This approach aims to improve the food supply security of endangered groups and prevent conflicts over scarce natural resources (ground, water etc.).

»»» Regional funds to strengthen drought resilience on the Horn of Africa

The programme helps to strengthen the drought resilience of several populations that live off cattle raising in the border regions of north eastern and southern Ethiopia. The measures were selected with the participation of the population and are implemented in the fields of water supply and rural infrastructure, cattle and pasture farming, as well as alternative income options and basic services. This strengthens the local population's production system and diversifies its income base. Similar measures are in the pipeline in Djibouti, Kenya, Uganda and Somalia.



Source: KfW Photo Archive / photothek.net

Transitional aid in neighbouring states: food and basic social services (notably drinking water, basic health care and education) are provided in neighbouring states and/or regions that admit a large number of refugees and/or internally displaced persons. In addition to the refugees themselves, host municipalities also receive support, since the influx of refugees heavily burdens their utility infrastructure in many cases. The direct consequences are overloaded water, sanitary and energy supply systems, over-crowded schools and health units, as well as accommodation shortages and rising rental prices. To ensure that municipalities remain willing to accept refugees and to prevent conflicts between them and the local population, the capacity of local utilities infrastructure is quickly and comprehensively expanded.

Concrete examples of projects that adopted this approach include food aid for refugees in central Africa and host municipalities in the Republic of Congo, basic education for children in Kenya's refugee camps, as well as water supply for Syrian refugees and host municipalities in Jordan.

»»» Drinking water supplies for Syrian refugees and host municipalities in Jordan

The measure implemented by the Jordanian water authority aims to improve the supply of clean drinking water to host municipalities and Syrian refugees in northern Jordan. Thanks to the rehabilitation and upgrading of fountains and pipes, water production will be permanently increased on the one hand, while bottlenecks in distribution infrastructure will be removed on the other. The volume of water provided by the project covers the daily needs of a total of 785,000 inhabitants and refugees.



Source: KfW Photo Archive / photothek.net

Perfect implementation partners

KfW works with a large number of partners to provide transitional aid. If state structures in the crisis region are unable to function, or are only operating on a very limited scale, projects are often initially executed with non-state partners (UN organisations, NGOs) or Multi Donor Trust Funds (MDTF). As soon as state implementation partners are sufficiently capable of taking action, they are increasingly involved in projects.

»»» Lebanon: Crisis intervention for Syrian refugees (UNICEF)

This project aims to improve basic infrastructure and refugees' access to education, sustainable water supplies and sanitation, as well as child aid and childcare measures. The measures target areas with a large population of refugees. The target group consists of both Syrian refugees in camps and municipalities, as well as the domestic population in host municipalities.



Source: KfW Photo Archive / photothek.net

UN organisations: UN organisations, which tend to have good local infrastructure and can implement effective measures swiftly as a result, are key partners in transitional aid. KfW supports UN organisations in project planning (partly by involving its technical experts), provides independent evaluation of activities and their impact, and ensures the visibility of German contributions.

UN organisations have become increasingly important implementation partners in the context of the refugee crisis, especially in the Near and Middle East, but also in Sub-Saharan Africa. Examples of more recent projects include the crisis and resilience programmes in Iraq (with UNDP), the crisis programme for education and children's health in Yemen (with UNICEF) and food aid for Burundi refugees in Tanzania (with WFP).

NGOs: KfW also often works with local and international NGOs to provide transitional aid. Thanks to their long-term local presence, such organisations often enjoy the local population's trust, and have built up established structures, which enable them to implement even small-scale measures in a way that target groups are reached effectively and fast.

One of the areas in which cooperation with NGOs has proven successful is transitional aid in the wake of armed conflicts. The peace fund in the Democratic Republic of Congo, the reintegration and reconstruction programme in Liberia (both Welthungerhilfe, the German NGO), as well as the stabilisation programme in northern Afghanistan (Aga Khan) are all implemented via NGOs. A more recent example is a project in southern Sudan, where infrastructure measures to improve the bases of life in areas with high inflows of refugees are being executed with the French NGO ACTED on behalf of the German development cooperation.

An innovative form of cooperation with NGOs is the PATRIP (Pakistan, Afghanistan, Tajikistan Regional Integration Programme) foundation financed by the German Federal Government and structured by KfW. The foundation finances multi-sector infra-

structure projects in the border regions of Afghanistan with Pakistan and Tajikistan, which are executed by local NGOs. Due to the private nature of the foundation, individual measures can be implemented comparatively swiftly and flexibly.

Multi Donor Trust Funds (MDTFs):

MDTFs are another typical transitional aid instrument in crisis-afflicted countries with weak state structures. Characteristically of basket financing, several donors pay into the MDTF, which is administrated by the mandate holder (usually the World Bank / UN). The fund can be used to execute very comprehensive and multi-sectoral programmes. It can also be used to finance public sector wages and other ongoing government costs, which is necessary in many cases. MDTFs bundle risks for individual donors and unburden the weak capacities of partner countries.

»»» Afghanistan Reconstruction Trust Fund (ARTF)

The ARTF is the central multilateral trust fund for the civil reconstruction of Afghanistan, which is administrated by the World Bank in Kabul and to which the Federal Ministry for Economic Cooperation and Development contributes via KfW. The trust fund finances the ongoing costs of Afghanistan's governmental and administrative system (Recurrent Cost Window), as well as development and infrastructure measures aligned with national priorities (Investment Window). In addition to the World Bank, 33 donors currently contribute to the ARTF.



Source: KfW Photo Archive / photothek.net

In most cases the Federal Ministry for Economic Cooperation and Development pays into the MDTF that is administrated by other donors via KfW. Examples include the Afghanistan Reconstruction Trust Fund (ARTF), the Liberia Reconstruction Trust Fund (LRTF) (both World Bank), as well as the Békou Trust Fund for the Central African Republic (EU). The Syria Re-

covery Trust Fund (SRTF) financed by the German Federal Government, by contrast, was set up under the auspices of KfW, which itself acts as fund administrator in this instance.

»» Syria Recovery Trust Fund (SRTF)

The SRTF aims to secure the supply of basic services (notably the provision of healthcare, water, energy and food) in those areas controlled by Syria's moderate opposition parties via stabilisation and reconstruction measures. The aim is to stabilise the local situation and improve the population's prospects in its own country. There are now 14 countries involved in the SRTF, which contribute a total of EUR 120 million.



Source: KfW Photo Archive / photothek.net

State partners: cooperation with state partners is KfW's classic cooperation model. It secures orientation towards the partner's priorities, enables the use of national systems and tends to foster the sustainability of the measures undertaken. The capacities of state structures permitting, our projects are therefore preferentially implemented through state partners.

One example is the programme for poverty-oriented economic promotion to consolidate peace in Sierra Leone, which promotes employment via rural value chains and is implemented by the National Commission for Social Action (NaCSA). The respective reconstruction measures implemented following typhoon Haiyan on the Philippines (2013) and after the earthquake in Nepal (2015) were carried out by state agencies.

An interesting special case of execution by state partners is the reform programme to support the peace process in Columbia, which funds the Colombian government's peace initiatives via a PBL (Policy Based Lending) instrument.

»» Reform programme to support the peace process in Columbia

In Columbia the government's peace initiatives are supported by one promotional loan and two development loans. The sector reform programme to support the peace process includes victim compensation such as, for example, the return of land to internally displaced persons, conflict prevention, demobilisation and reintegration, as well as alternative employment options and training courses for ex-combatants. Payment of funds is linked to the completion of the peace-building reform measures agreed upon.



Source: Fotolia.com / diegocardini

The linking of transitional aid and structural development cooperation

The ultimate rationale of transitional aid is to effectively combine short-term aid measures with longer-term and structure-building approaches.

In several cases this linking of transitional aid and structural development cooperation occurs within the scope of individual projects. A good example in this context is the reintegration and reconstruction programme set up in Liberia via Welthungerhilfe. While the emphasis was on the speedy effectiveness of measures in the first two phases of this programme, it shifted as the region stabilised. Now the programme particularly aims to develop permanent structures and to promote sustainable solutions. In practical terms, local authorities are more closely involved in selecting and implementing individual measures. Intensive training courses for users enable the population to play an active part. Activities are more often carried out in cooperation with local organisations that are supported in their further development by Welthungerhilfe. The peace fund in the Democratic Republic of Congo has developed in a very similar manner. In such cases KfW plays a key pivotal role between state and non-state partners.

In other cases projects oriented to quick effectiveness are systematically interlinked with structure-building programmes. A good example of this strategy is the response to the drought on the Horn of Africa in 2011. Alongside fast and flexible food aid via UN organisations, a regionally-oriented drought resilience fund was set up at the same time, which was executed in a structure-building manner via state partners.

Short and mid-term support for refugees and host municipalities provided via UN organisations is also being complemented by longer-term projects that position state execution partners to independently operate the supply structure put in place on a lasting basis in the context of the Syria crisis too.



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