

»» Materials on Development Finance



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Population dynamics – crucial questions for achieving the SDGs Financial Cooperation solutions

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The question as to whether and to what extent the Sustainable Development Goals (SDGs) can be achieved depends on various factors: the extent of available funds, behavioural changes, implementation capacities, political will and much more. However, the most critical factor in the long term is often ignored in the public discussion: population dynamics.

In Africa alone, the population is expected to double by 2050

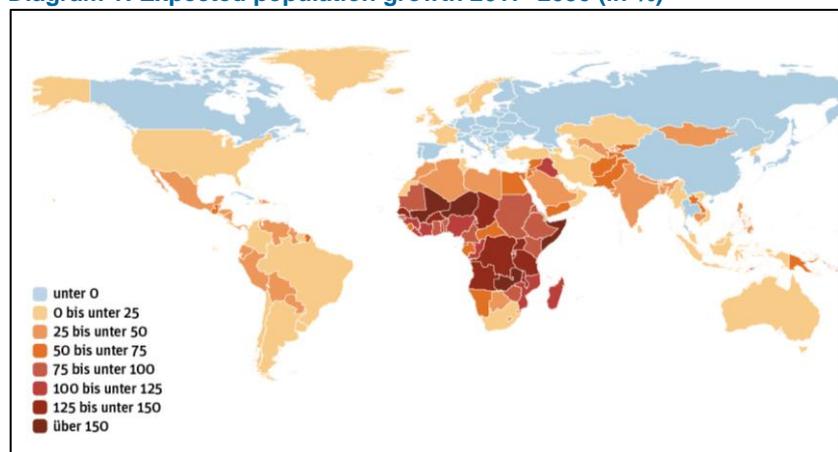
According to current prognoses, the global population is due to increase from 7.7 billion people today to around 10 billion people by the middle of the century. However, there are very different regional trends behind this: while the population in Russia, China and parts of Europe is already decreasing, the population continues to rise rapidly, mainly in the world's poorest and most fragile countries (see Diagram 1). Those are the countries that are currently the farthest from the SDG targets.

The population in Africa alone is set to double by 2050. The demographic transition (from high to low mortality and birth rates) has come to a halt: while the mortality rates have decreased thanks to progress in improving living conditions and medical treatment, birth rates are taking much longer than expected to follow this trend for various reasons.

Demographic dividends or poverty trap?

The consequences are severe: Africa's population is growing faster than its economy; the per capita income is falling accordingly. So, instead of getting closer to achieving the main target of the SDGs, ending poverty (SDG 1), African countries are drifting even further away.

Diagram 1: Expected population growth 2017–2050 (in %)



Source: Berlin Institute (based on UNDESA); https://www.berlin-institut.org/fileadmin/user_upload/Nahrung_Jobs_Nachhaltigkeit/Foodsecurity_Online_EN.pdf



Example 1: Family planning and HIV prevention – West Africa

The Economic Community of West African States (ECOWAS) member countries are among those with the highest population growth and the highest maternal and child mortality in the world. The people there use significantly fewer modern contraceptives than in North and East Africa. This is why KfW Development Bank is supporting measures that include a regional financing mechanism within the West African Health Organization which aims to improve access to information, products and services for sexual and reproductive health and strengthen local capacities. This is an important contribution to remedying contraceptive supply shortfalls and promoting behavioural changes. With the products financed so far, around 4 million couples were able to protect themselves against unplanned pregnancies for an entire year.



On the other hand, the demographic transition phase also offers a major opportunity for fast development progress: if the number of children per woman noticeably decreases, the percentage of the population of working age increases after a period of delay. If members of the working population have fewer dependent family members, they are able to build up more savings, thereby financing investments and thus triggering developmental leaps known as "demographic dividends". But this mechanism only works if people of working age also have access to truly productive employment at living wages – a prerequisite that does not exist in many countries.

High population growth impedes achievement of the SDGs

No other process has such a direct and strong effect on all SDGs as population growth – unfortunately it nearly always hinders their achievement. For example, beyond SDG 1, it also affects:

- SDG 2: hampered food security (Africa needs to double food production in the next 30 years)
- SDG 3, 4, 6, 7 and 9: increased demand for infrastructure (schools, medical facilities, water/sanitation, energy, roads, living space, etc.) even though many governments are already having trouble meeting demand today
- SDG 5, 8, 10 and 16: growing social conflicts (youth unemployment, resource conflicts, land use culminating in political destabilisation)
- SDG 11: increasing migratory pressure (nationally: urbanisation, growing slums; internationally: search for better future prospects)
- SDG 12: growing demand for raw materials (firewood, fresh water, oil, rare earth, etc.)
- SDG 13: accelerated climate change (a growing middle class also increases demand for consumer goods and generates a correspondingly larger carbon footprint)
- SDG 14 and 15: increasing environmental pollution/destruction (solid waste, sewage, oceans, biodiversity, etc.) and increasing urban development and utilisation pressure.

Poverty and fragility accelerate population growth

For one thing, high population growth hinders achievement of the SDGs, particularly the fight against poverty. On the other hand, high poverty and fragility also advances population growth in a number of ways. These types of mutually reinforcing effects are often referred to as vicious circles:

- Against the backdrop of poverty, large numbers of children often not only raise the social status of the family, they can also potentially contribute more to securing a livable household income.
- In the absence of modern social security systems, larger numbers

of children are often a way for parents to provide for themselves in old age.

- In many poor and fragile countries, socio-cultural values and norms like child marriage, polygamy and traditional perceptions of women prevail and lead to high average numbers of children (fertility).



Example 2: Scholarships for gifted girls from poor families – Kenya

Women in Kenya are also still at a disadvantage in many respects. The fact that they are clearly underrepresented in the area of higher education is simultaneously a symptom and one of several causes of insufficient gender equality. To partially counteract this, KfW is promoting a nationwide scholarship programme focusing on young women. "Wings to Fly" supports disadvantaged but talented students as they complete secondary education or vocational training. In addition to scholarships, the disadvantaged youth are also supported with mentors, extracurricular events and vocational guidance. Empirical evidence shows that higher education is linked to women having their first children later in life. Well-educated women also often have lower fertility overall. Around 3,500 young people, 60% of them girls, receive scholarships and act as modern role models.



- Fertility rates can also play a political role because they can influence majorities and the balance of power, for example, between ethnic or religious groups or nationalities.
- Poverty is often associated with a limited level of education, insufficient sex education and information about contraceptive options.

- Bad healthcare or poor health tend to increase the average number of children due to fear of high child mortality.
- In countries characterised by poverty and fragility, family planning service offerings and contraceptive supplies are often insufficient, or people can't afford them.

Promoting gender equality is more expedient than state regulations

Using demographic policies as intervention is a highly sensitive matter and has a bearing on fundamental human rights. Complex ethical questions arise: who decides whether the population growth rate is too high or low, and who is allowed to have how many children? Different governments have answered these questions in various ways (e.g. China's one-child policy).

Since the International Conference on Population and Development in 1994 in the Egyptian city of Cairo, a rights-based approach is being asserted internationally: in principle, each woman can decide whether she would like to have children and how many children she would like to have. Regulatory measures need to be based on principles of voluntary action (self-determined family planning) and freedom of choice (with regard to contraceptive methods).

This position was first bindingly codified in 2004 in the UN Declaration regarding the "human right to health, including the right to sex education and contraception". Consequently, compulsory government measures and sanctions in this field are prohibited. Positive incentives in ageing societies (such as child or parental benefits), on the other hand, are acceptable and common practice in most countries. Meanwhile, empirical evidence now suggests that this rights-based approach is not only ethical, it is also more effective than strict government stipulations.



Example 3: Female entrepreneurs in the health sector – Pakistan

In Pakistan, only one in four women who are able to work are employed. Among other factors, this is due to their still very traditional understanding of roles. These gender models, in combination with inadequate family planning options, result in a higher birth rate of 3.5 children per woman. In one KfW Development Bank project, 450 women are being trained as midwives, nurses and district nurses and given seed capital. They subsequently work on a self-employed basis in the private healthcare sector. This enables them to work independently and, beyond that, to give other women access to contraceptives. Both approaches contribute to lower fertility. Because they are highly visible members of their communities due to their role, they also act as role models with regard to gender equality.



Financial Cooperation promotional approaches

In light of the critical relevance of this issue for sustainable development, it is no longer a question of whether international development cooperation should concentrate more intensively on population dynamics. Now the only issue is figuring out which measures can most effectively contribute to overcoming the causes of unnaturally high population growth and breaking the vicious circle mentioned above.

KfW has many years of experience with rights-based approaches, which have a moderating effect in the short, medium and long term on high birth rates or help to lessen their impact.

Approaches that improve access to

family planning services and simultaneously provide sex education are effective, even in the short term. Notably, measures that promote gender equality like (girls') education or provide access to the labour market, and approaches to social security are effective in the medium to long terms. At the same times, jobs must be created to provide productive work for the youth entering the labour market and thus create demographic dividends.

Short-term: sex education and increased access to family planning

Nearly half of all pregnancies in developing countries are unplanned. 214 million women there do not use contraceptives even though they do not want to become pregnant. And more than 800 women still die every day due to complications during a pregnancy, abortions or births.

To fulfil the right to self-determined family planning, all people should receive accurate and understandable information about contraception and access to affordable, reliable contraceptives of their choice. And if they decide they want to have children, they should have access to appropriate healthcare facilities to ensure that they experience a pregnancy that is as risk-free as possible and are able to give birth and raise their children in safe conditions.

KfW Development Bank has invested over EUR 800 million on behalf of the German Federal Government in ongoing projects to improve information, sex education and access to services with regard to family planning, pregnancy and birth. Overall, Germany is among the largest bilateral donors in the area of sexual and reproductive health.

KfW's most important promotional approaches here are: (i) implementing communication campaigns and providing modern contraceptives at subsidised prices for poor social classes (social marketing approaches – see Example 1), (ii) improving the quality of family planning services (e.g. through social franchising systems and demand-side financing),

and (iii) professionally supporting women and children with regard to pregnancy and birth.

Using the contraceptives distributed within the scope of ongoing family planning projects, 25 million couples were able to protect themselves from unwanted pregnancies from 2011–2018.

The expansion of family planning services to be as comprehensive as possible is by far the fastest most effective demographic measure within the rights-based promotional approach. The reason: it helps to adjust the actual number of children to the desired number of children. This significantly reduces the number of children and thus also the number of people that enter reproductive age around 15 years later – this is the "compound interest effect".

At the same time, reliable access to contraceptives is a measure with one of the best cost-benefit ratios there is in the overall spectrum of development-policy measures: every euro



Example 5: SANAD – private capital for more employment

Nearly half of the Egyptian population is younger than 24 years old, and unemployment is high, particularly among young people, even well-educated academics. Micro, small and medium-sized enterprises provide around three quarters of the jobs in this region. These companies have the creative force to boost the economy and create jobs. But access to working and investment capital is necessary to do this. Many of these companies are too big for microfinance institutions and too small and informal for commercial banks. KfW thus supports the regional SANAD fund, which aims to close precisely this gap and was able to create or ensure around 300,000 jobs.

invested here results in EUR 120 saved for reduced maternal and child mortality and subsequent economic costs. This was calculated by experts from the Copenhagen Consensus Center think tank. It is clearly evident that these are "no-regret" measures of the first order.



Example 4: Malawi's Social Cash Transfer Programme

Malawi is one of the poorest countries in the world: approx. 50% of the population lives in poverty, 25% lives in extreme poverty. Children and adolescents from poor homes must contribute to household incomes and thus leave school early. To counteract this, KfW is financing the Social Cash Transfer Programme introduced by the Malawian government, which gives the poorest 10% of households regular money transfers. The FC contribution alone provides money transfers for around 65,000 households or nearly 320,000 ultra-poor individuals. The recipient families' living conditions have considerably improved as a result: they are economically more active, eat more regularly and are much healthier. In addition, more children go to school and stay in school longer overall. Another result is that pregnancies among very young girls have become more seldom.



Medium- to long-term social security and gender equality

The actual number of children can relatively quickly come to match the number of desired children with comprehensive family planning service offerings. But the desire to have children is often still very strong. Many useful development policy measures also have a dampening effect on the wish to have children in the medium to long term.

This includes nearly all measures that promote gender equality and social security, particularly (i) promoting girls' education (see Example 2), (ii) improving career opportunities for women (e.g. with vocational training or access to the financial sector – see

Example 3) and (iii) the expansion of social security systems (e.g. cash transfers – see Example 4).

KfW Development Bank is currently promoting about 200 educational projects with a volume of around EUR 3.2 billion, benefiting around 21 million students. Close to 80% of them have gender equality as a main or a secondary objective. The promotional volume for social security is currently at around EUR 1 billion. Of the nearly 240 million recipients, around 80% live below the poverty line, around half of them are women.

At the same time: jobs, jobs, jobs – primarily for young people

In many countries with particularly high population growth, the economy will not be able to absorb the many young people entering the labour markets in the coming years, despite comprehensive expansion of family planning services and equality measures. In Africa alone, around 18 million new jobs would need to be created in the next 15 years just to employ the young people that have already been born (UNCCD, 2018).

In order to take advantage of demographic dividends, these countries would thus have to make massive investments in creating long-term jobs with adequate social standards.

Typical Financial Cooperation promotional approaches in this area are (i) promoting private industry, (ii) expanding and strengthening financial sectors to finance the establishment and expansion of companies, (iii) improving the framework conditions for private companies (e.g. infrastructure development with roads, water, energy and telecommunication, decreasing bureaucracy, combating corruption, macro-stabilisation).



KfW Development Bank's commitment to projects in 2018 enabled FC to create and ensure around 435,000 permanent jobs in Sub-Saharan Africa and a further 330,000 in North Africa / the Middle East. But developing permanent employment opportunities takes time. In the short term, government employment programmes are helping to bridge the gap (see Example 5).

Conclusion: application of tested promotional approaches with a broad impact

To preserve the prospects for sustainable development and achieve the SDGs, it is urgent that we grant sexual and reproductive rights. Basic solutions are on the table. Of course, these need to be continuously further developed and adjusted to improve their efficacy and efficiency, for example, by using the opportunities digitalisation provides.

Priority should be placed on approaches effective in the short term: sex education, information and comprehensive access to family planning services. However, approaches that are effective in the medium to long-term also need to be consistently pursued: promoting gender equality, social security and creating productive employment. They cannot be put on the back burner.



Photos

KfW photo archive:
P. 2: auslöser-photographie
P. 2: Photographer: Lena Hoefling
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