

Materials on Development Finance

Peace, Fragility and Forced Displacement

No. 8, 19 June 2020

Author: Dr Dominik Balthasar, Editor: Susanne Brösamle

From prevention to consolidating peace in post-conflict societies

Crises, conflict and forced displacement are increasingly common features of international development cooperation. This is why KfW Development Bank has continuously expanded its involvement in fragile contexts. On behalf of the German Federal Government and using Federal Government funds, it now deploys a large portfolio of measures to avoid violent escalation of conflict, counter fragility, mitigate the effects of forced displacement and promote peace.

Development cooperation in the context of fragility

According to figures from the Peace Research Institute Oslo (PRIO), in 2018 the world faced a total of 52 active military conflicts in 36 countries. The clear increase in violent conflicts seen over the previous ten years could be observed globally. Almost 80 million people fleeing their homes in 2019 represented the highest number of refugees since the Second World War. The fact that, according to the United Nations Refugee Agency, around 85% of all refugees and internally displaced persons are located in developing countries increases the risk of making countries that already have limited capacity for action even more susceptible to crisis. With 58 countries, OECD-DAC classified ten more countries as “fragile” in 2018 than a decade previously. Even if this rise is also due to a broadening of the concept of fragility, it is undisputed that an increasing number of states have reached or passed the limit of what they can withstand.

Fragility is a key limiting factor for development: the group of fragile countries is furthest behind when it

comes to achieving the Sustainable Development Goals (SDG) and is seeing more setbacks than progress in many respects. While on a global level the number of extremely poor people is in decline, it continues to rise within the group of fragile countries. By 2025, it is expected that around 80% of the world’s extremely poor people will live in fragile states. This is why overcoming fragility has become a key challenge in recent years, not just in global peace policy, but increasingly in international development cooperation as well.

KfW’s involvement in fragile contexts

In response to this trend, KfW Development Bank, on behalf of the German Federal Government and using government funds, has continuously

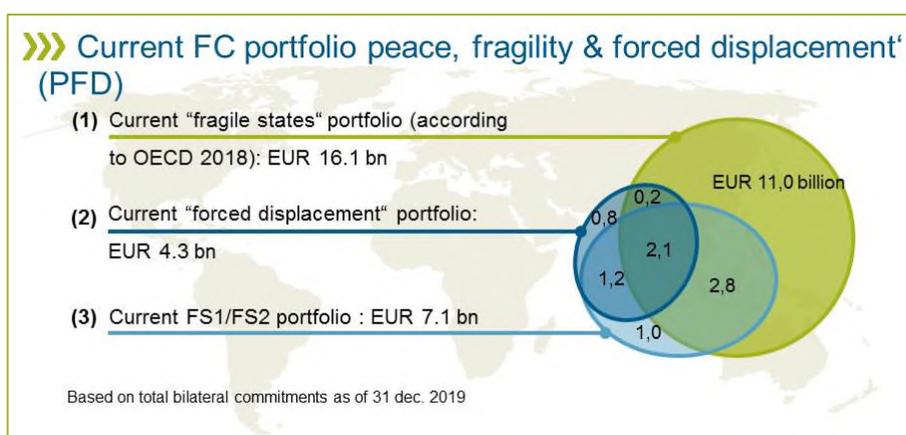
- commitments in states that are classed as “fragile” (as per OECD-DAC classification, 2018), which total EUR 16.1 billion
- measures that aim to promote peace and/or reduce fragility (based on FS1 or FS2 (“peace and security”) marker), which total EUR 7.1 billion
- use of EUR 4.3 billion of funds with a concrete link to the topic of “forced displacement”

In the decade between 2010 and 2019, KfW Development Bank saw a significant increase in funding in all three areas: the ongoing PFD commitments increased tenfold during this period, from EUR 1.9 billion to EUR 19.0 billion.

Current FC portfolio peace, fragility & forced displacement (PFD)

- Current “fragile states” portfolio (according to OECD 2018): EUR 16.1 bn
- Current “forced displacement” portfolio: EUR 4.3 bn
- Current FS1/FS2 portfolio : EUR 7.1 bn

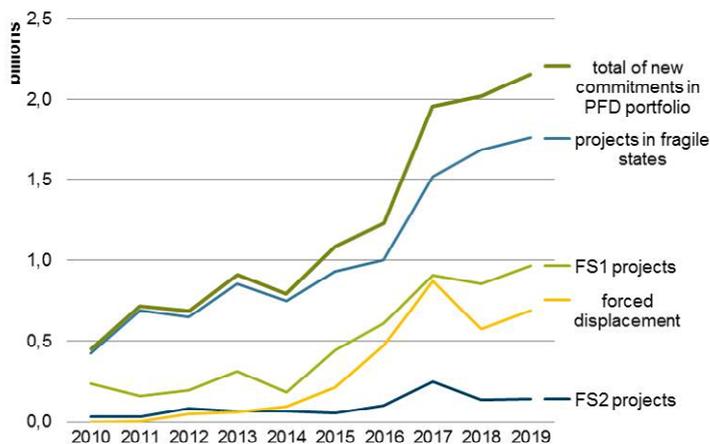
Based on total bilateral commitments as of 31 dec. 2019



expanded its Financial Cooperation (FC) in relation to “Peace, Fragility and Forced Displacement” (PFD) in recent years. With a volume of EUR 19.0 billion, the “PFD portfolio” now makes up 35% of KfW Development Bank’s total current bilateral FC portfolio, which is worth EUR 54.0 billion (as at 31 December 2019). The “PFD portfolio” is composed of three interrelated fields (see fig. 1):

KfW’s overall portfolio includes both grants and development and promotional loans, investments and delegated funds. However, in a PFD context, the vast majority of funding is through grants from the German federal budget (“budget funds”). So the above-mentioned evolution of the portfolio is reflected almost exactly in the annual new FC commitments from German Federal Government budget funds (see fig. 2). The strengthening or setting up of

»»» New commitments in the PFD portfolio (2010-19) in relation to annual bilateral commitments of budget funds



various special titles has also very clearly contributed to this growth, especially transitional aid and the refugees special initiative. Regionally, KfW Development Bank is currently active in 47 of the 58 states classed as fragile by OECD-DAC. Sub-Saharan Africa is particularly significant in this context, as 49%, or nearly half, of the total current fragile countries portfolio is being spent there (measured once again as a proportion of total bilaterally committed funds). The other half is split almost evenly between Asia/Oceania (25%) and North Africa/Middle East (24%). The remainder (2%) goes to Europe/the Caucasus and Latin America/the Caribbean, as well as to interregional projects.

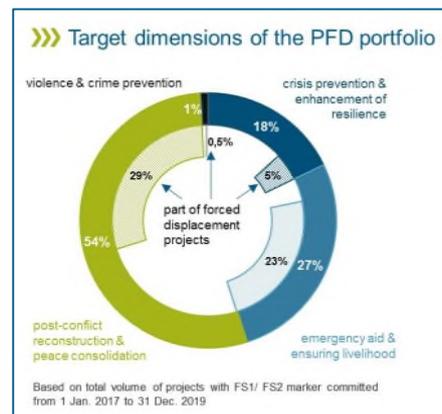
KfW's scope of measures

In light of the complexity of fragile contexts and their individual circumstances, KfW has increasingly diversified its scope of measures in recent years. Depending on the objectives of the measure and the context, there are different development approaches which can be categorised under the following five key areas:

- crisis prevention and resilience strengthening
- short-term emergency aid/ensuring livelihoods
- medium and long-term rebuilding and peace consolidation
- providing support in forced displacement contexts
- avoiding violence and criminality.

If we assume this allocation for all measures with a concrete link to promotion of peace (i.e. with an FS1 or

FS2 marker) and which were approved in the period between 1 January 2017 and 31 December 2019, the PFD portfolio is made up as follows:



However, it is worth noting that the key areas do overlap — something which is unavoidable. This is due in no small part to the fact that effectively linking the different key areas (especially short-term aid measures with longer-term and structural approaches) becomes increasingly important if a short-term escape from fragility is to succeed (Humanitarian Development Peace Nexus). Because all four areas include measures with a link to forced displacement, these measures are mentioned separately in the graphic above.

(1) Crisis prevention & resilience strengthening:

the crisis prevention approach aims to reduce the potential for a violent (re)escalation of conflict. As such, crisis prevention largely focuses on the structural, political and social causes and triggers of conflict, such as inequality, a lack of economic prospects and inadequate statehood. Goals range

from avoiding conflict escalation in the short term to creating long-term prospects for peace. The objective is based on the understanding that not only is preventing violent conflict the right thing to do morally, but scientific analysis indicates that, on average, it incurs just one tenth of the cost of destruction and rebuilding in post-conflict societies. Experience shows that a key challenge with this approach consists in identifying specific potential crisis areas sufficiently promptly so that there is still time to introduce mitigation measures and they can have an effect.

The content is closely linked to that of the resilience strengthening approach. As well as the crisis prevention elements, the concept focuses on the capacity of individuals and institutions, societies and states to overcome crises that occur with a minimum of damage, and recover as quickly as possible. KfW Development Bank has at its disposal a broad portfolio of tools to achieve impact in crisis prevention and resilience strengthening. While it might be able to defuse an important driver of conflict in the medium to long term by, for example, reducing major inequalities in the infrastructure available to different groups within a country's population, with employment programmes it aims to reduce youth unemployment in areas of conflict to avoid further short-term escalation.

Resilience strengthening – Somalia

Knowledge and autonomy, as well as a healthy and productive life patterns, are important prerequisites for increased resilience in the face of emergency and conflict situations. In cooperation with UNICEF and the World Food Programme, in southern and central Somalia KfW supports the promotion of basic education, training opportunities for young people and innovative food programmes in schools, not least as an incentive to continued school attendance. The project, which will run for 30 months and has a volume of EUR 36 million, reaches close to 40,000 children and young people.

Other typical FC approaches to crisis prevention and resilience strengthening include drought resilience programmes, the development and expansion of social security systems, climate insurance, promoting decentralisation and community development (increasing local participation and design

opportunities) and public sector reforms (building confidence in the state through transparency and accountability).

(2) Short-term aid/securing

livelihoods: in acute violent conflict situations, KfW Development Bank works to ensure that basic services are available to affected populations.

Syria Recovery Trust Fund (SRTF)

The SRTF, set up by KfW, 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. The 14 member states of the SRTF were able to provide over EUR 250 million by 2020.



Source: KfW photo archive/Rüdiger Nehmsow

While foreign and security policy actors try to find a political solution to the crisis, FC deploys various measures to work towards securing or restoring basic public services (e.g. food security/school meals, water supply, health stations, etc.). Both local and international non-governmental organisations and UN organisations are increasingly important partners when implementing emergency aid measures. In large part due to their long-term local presence, these partners usually have robust implementation structures and good access to target groups. KfW supports these organisations in project planning (partly by involving their technical experts), provides independent evaluation of activities and their impact, and ensures transparency with regard to German contributions.

(3) Medium and long-term rebuilding and peace consolidation:

after violent conflict, the key aim of FC measures is to secure the (volatile) peace in the long term and support the partner countries in their return to a sustainable development path. While the transitional aid approach

helps to better integrate short-term emergency aid with medium and long-term rebuilding measures, peace consolidation measures address, among other things, economic disparities, political tension and social cohesion within a society. In post-conflict societies, KfW supports projects such as the rebuilding of infrastructure with a view to establishing long-term solutions and sustainable structures ("state building") in order to uphold core state functions. Support is provided to rebuild schools, health stations, rural roadways, bridges and markets. KfW's involvement in this area aims to achieve a "peace dividend" for the affected population, which can help to re-establish the social contract and build confidence in the state in the medium term. The development approaches also include "Cash for Work" programmes where beneficiaries receive remuneration to set up services which benefit the community, or labour-intensive rebuilding measures.

Peace programme – Liberia

The Reintegration and Recovery Program (RRP), implemented via Welthungerhilfe in Liberia from 2005 onwards, has increasingly evolved from emergency aid into a stabilisation project. Currently in its fifth phase, the focus is now on improving living conditions in the traditionally neglected south east of the country, to help consolidate peace further. Since 2005, investments of more than EUR 60 million have been made in the West African country under the RRP. In the first three phases alone, 545 km of road and paths underwent labour-intensive rehabilitation, nearly 500 wells and over 2000 latrines were built, while 35 new schools were constructed and 14 more were renovated. In the most recently completed phase, women affected by sexual violence in 35 communities were given access to psychosocial training and support services.



Source: KfW photo archive/Bernhard Schurian.

On the one hand, this allows them to earn a small income to secure their own livelihood, and on the other, the work that is created helps to build a basis for peaceful development going forward ("double dividend"). The approach also involves mine clearance programmes, psychosocial support for survivors of conflict and (sexual) violence, vocational qualification measures and promotion of the local economy. Where possible and where it makes sense to do so, the programmes are linked to measures which promote social cohesion (e.g. victim compensation funds, village community centres, sports grounds) and support the maintenance of core state functions at community level.

Employment programmes (ILO) — Turkey

It is still impossible to predict when Syrian refugees will be able to reintegrate into their home country. This is why it is necessary to put arrangements in place to host refugees for the longer term (several years) in the neighbouring countries. An example of this is the project to employ Syrian refugees in Turkey, run in cooperation with the ILO. Access to the formal labour market is facilitated through on-the-job training, advice services and the payment of grants towards work permits, accident insurance and social security contributions. To promote social cohesion and the willingness of the Turkish communities to host refugees, the programme was also opened up to Turkish citizens who needed it. The project has set itself a target of providing nearly 7000 Syrian refugees and close to 2000 Turkish citizens with access to the labour market.



Source: UNICEF, photographer: RICH

(4) Support in contexts of forced displacement/avoiding spillover effects:

crises and conflicts almost always go hand-in-hand with people being displaced or forced to migrate. The over 70 million refugees and internally displaced people are among the most

severely impacted victims of crises and conflicts. On behalf of the German Federal Government and using government funds, KfW Development Bank supports refugees and displaced persons with accommodation, supplies and (re)integration. The primary goal of the measures is to support host communities to maintain or rebuild basic provision of social services (especially drinking water, basic healthcare and education), as supply infrastructure in host communities, which was often already under pressure, is put under additional strain by refugees and may be partially overwhelmed. The range of measures often includes the creation of living space and promotion of employment, too. Residents of the host communities may sometimes get involved in the measures as well, to strengthen local willingness to host and prevent the emergence of new conflicts (between incoming refugees and the existing population) and the expansion of conflicts into neighbouring regions, creating an interregional conflagration.

CONVIVIR – Honduras

Investments in youth-specific infrastructure and open air design are financed in order to create “safe spaces” in low-income districts with high levels of violence, alongside measures to strengthen young people’s social and vocational skills. For instance, the population of marginalised districts in selected communities in Honduras will use safe public spaces sustainably, while young people become actively involved in society. The regional programme, which has been rolled out over ten years and also contains elements of Technical Cooperation, initially aims to reduce the number of criminal attacks in the relevant neighbourhoods by 15%.



Source: KfW Group/Jonas Wresch

(5) Avoiding violence and criminality:

contexts involving violence between individuals or collective violence may feature both violent political conflict and non-conflict violence, inflicted through organised crime and youth gangs, for instance, or in the form of gender-based violence. Fragile contexts often see a mixture of forms of political and social violence which do not necessarily end with the formal end of the conflict (“violence continuum”).

Violence prevention embedded in a peace development process can make an effective contribution to preventing new conflicts. Typical FC approaches in this area include urban violence prevention measures (often as part of slum improvement measures), vocational training and employment programmes for unemployed young people and the creation of youth centres and women’s refuges.

Particular challenges of working in fragile contexts

Commitments relating to peace, refugees and fragility entail particular challenges. There is operational difficulty due to the fact that, among other things, the state partners with whom KfW traditionally cooperates often have extremely limited capacity to act. If it is not possible to work with these central institutions, KfW will work with alternative implementation partners in suitable cases, such as non-governmental and UN organisations (NGOs/UN), charitable trusts or multi-donor trust funds.

Addressing the requirements of fragile contexts effectively and efficiently requires a very good understanding of the context, including the parties involved and the lines and dynamics of the conflict. As the context and therefore the requirements can change quickly, development concepts must be designed such that the measures can be adapted quickly and flexibly to suit changes in circumstances. Furthermore, the measures must be conflict-sensitive and in accordance with the “do no harm” principle, to ensure that interventions undertaken do not accidentally exacerbate ongoing conflict.

Another particularity of working in fragile contexts is the increased risk to the safety of project staff. Access to some project regions is temporarily barred to external parties for safety reasons. This is why KfW Development Bank is also committed to developing “Remote

Monitoring, Management and Verification” (RMMV) tools to guarantee that measures are carried out properly and quality assured, even under such circumstances.

As well as these – and other – challenges, working in fragile contexts also comes with numerous dilemmas. While on the one hand, addressing crises and conflicts requires speed, at the same time, the sustainability of measures and the need for long-term engagement must not be forgotten. Peacebuilding can often be addressed usefully through participative approaches, which also take time to organise, implement and build trust.

Well-equipped for involvement in fragile contexts

Over the past few years, KfW Development Bank’s involvement in the field of peace, fragility and forced displacement has gained in significance. KfW has continuously improved its processes and development approaches in this area and can now deploy a broad range of solutions for a huge variety of contexts. However, this work is far from complete. Fragility is (unfortunately) still on the rise globally, and the multilateral system is showing clear signs of disintegrating. Conflict situations are becoming more complex – meaning that continuing to build needs-based development approaches remains a task for the long term.

Publication details

Published by/copyright

KfW Group
Palmengartenstrasse 5–9
60325 Frankfurt am Main, Germany
Phone +49 69 7431 2150
dominik.balthasar@kfw.de
www.kfw.de