

# »» Social Protection Portfolio Analysis

26 June 2022

Author: Frederic Wiesenbach

## Portfolio analysis for the 2021 financial year

### Summary

In 2021, KfW Development Bank's commitments for social protection projects increased again by almost 55% compared to the previous year and, at around<sup>1</sup> EUR 1.9 billion,<sup>2</sup> (64 new projects<sup>3</sup>) are now more than nine times higher than in 2019. The main cause of this sharp increase is the measures to cushion the negative effects of the coronavirus crisis on poor and vulnerable population groups.

Similar to the previous year, the focus of the commitments for new projects was on "basic security" and "protection in the event of illness". Large-volume new projects on policy reforms and insurance approaches made up the majority of the financial promotional business volume.

With the new commitments for 2021, approximately 21 million people received additional social protection. The total number of people reached is significantly higher because many measures from commitments made in previous years are still having an impact.

New commitments show a structural shift from short-term cash transfers to cash-for-work measures and systemic insurance approaches and policy reform measures.

The future prospects of the field of assistance are uncertain: On the one hand, the need for coronavirus support measures is slowly declining (although the pandemic is far from over). On the other hand, there are fears that hunger and poverty will increase in many countries due to the negative effects of the Ukraine crisis (especially sharply rising food prices).

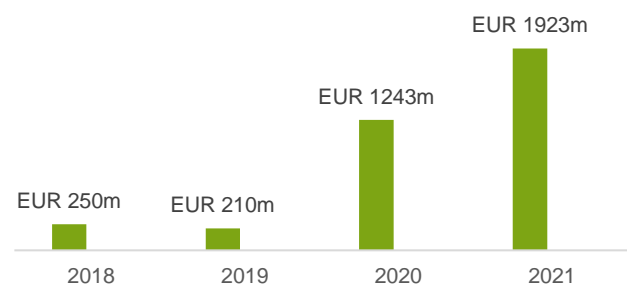
Inclusive social protection systems are a prerequisite for the long-term reduction of poverty and inequality as well as a cornerstone for peaceful coexistence ("social contract"). Social protection systems are becoming all the more necessary as global challenges increase: increasing fragility, migration and the negative effects of the coronavirus pandemic threaten the successful results already achieved in poverty alleviation. In the wake of the war in Ukraine, prices for food continue to rise worldwide, threatening the food security of many millions of poor people. Ultimately, social protection will play a key role in tackling the effects of climate change and the environmental transformation of the economy ("just transition").

Therefore KfW Development Bank supports the development and expansion of social protection systems on behalf of and using funds from the Federal Ministry for Economic Cooperation and Development (BMZ) and other donors in its partner countries. It works together with its partners to develop country-specific solutions and innovative concepts. Financial Cooperation (FC) focuses mainly on the following fields of assistance: "basic social security", "protection in the event of illness" and "protection against climate risks".

### Social protection portfolio development: commitments increased by 55% compared to 2020

In 2021, new commitments for social protection were once again around 55% higher than in the previous record year 2020. The main cause continues to be the measures initiated by the German Federal Government to cushion the negative social effects of the coronavirus crisis. Compared to 2019 – the year before the pandemic – new commitments in the area of social protection have increased more than ninefold. The new commitments enabled around 21 million people to receive additional social protection. As of 31 December 2021, KfW Development Bank's total ongoing portfolio volume in the area of social protection therefore stood at approx. EUR 5 billion (167 projects).

Chart 1: Growth in new commitments



### Regional priorities: Asia, Latin America and Africa

The highest new commitments were made for the Asia/Oceania (33%) and Latin America (27%) regions, where soft loans supported to a greater extent by KfW with market funds were also used. In the poorer countries of Sub-Saharan

<sup>1</sup> All figures are rounded.

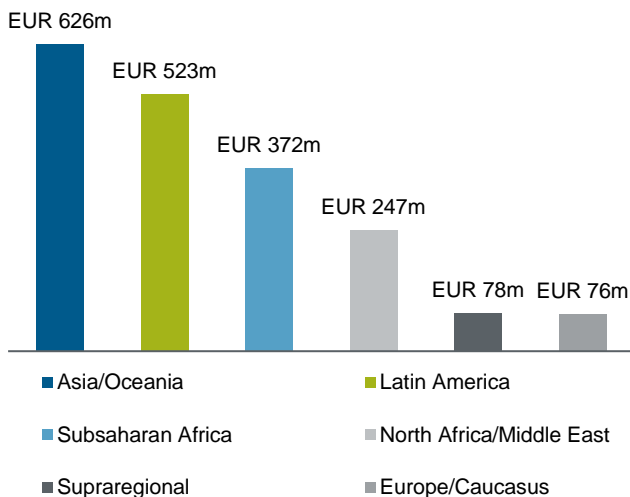
<sup>2</sup> Evaluation as of 17 May 2022 for the 2021 financial year, the figures from 2018 to 2020 correspond to the current status. These figures

may differ from previous evaluations due to reductions, reprogramming or corrections.

<sup>3</sup> Complementary measures are not included.

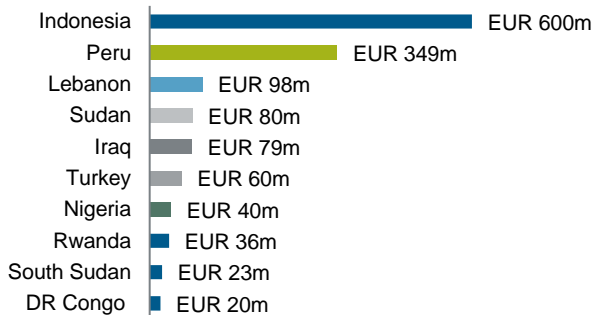
Africa (19%) and North Africa/Middle East (13%), on the other hand, pure grants were used for the most part.

**Chart 2: Promotional regions 2021**



The highest commitments in absolute terms went to Indonesia and Peru (loans) and Lebanon (grants).

**Graph 3: Top 10 countries by new commitments 2021**



**Financing sources: federal budget and KfW**

Overall, 51% of the funds committed for new projects in 2021 come from various BMZ and German Federal Foreign Office titles and 49% from funds raised by KfW on the capital market and granted to economically more effective countries under concessionary conditions (development and promotional loans).

**Table 1: Sources of funds for new projects in 2021**

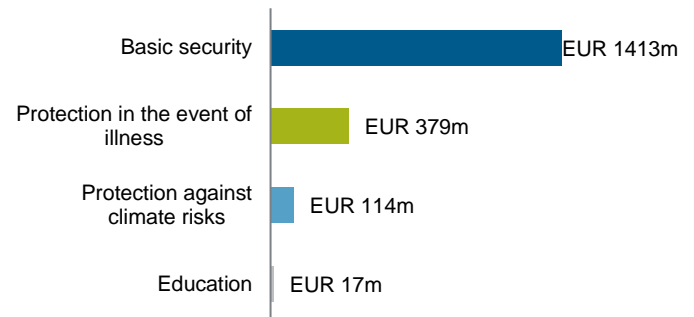
Source	Amount	Percentage
KfW funds	EUR 949m	49%
BMZ transitional aid	EUR 260m	14%
BMZ SI <sup>4</sup> Causes of Emigration	EUR 187m	10%
Standard BMZ loan title	EUR 169m	9%
IKU special funds	EUR 161m	8%
BMZ regional titles	EUR 114m	6%
BMZ SI One World – No Hunger	EUR 66m	3%
German Federal Foreign Office	EUR 16m	1%
<b>Total</b>	<b>EUR 1.9bn</b>	<b>100%</b>

<sup>4</sup> BMZ special initiative

**Thematic growth in commitments: continued focus on basic security, shift towards systemic approaches**

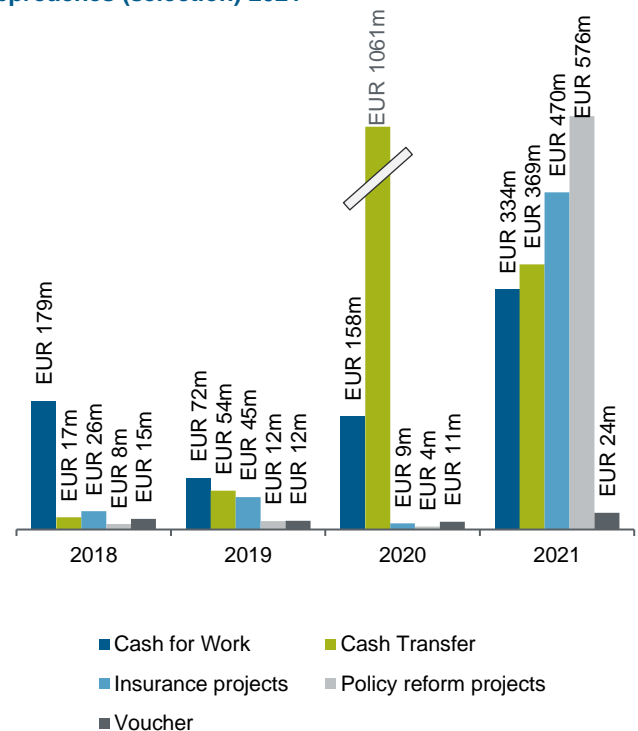
Investments in basic security account for over EUR 1.4 billion and 74% of the new commitment volume. The financial volume for protection in the event of illness increased from EUR 11 million in 2020 to EUR 379 million due to the use of market funds for a project in Peru (EUR 349 million).

**Chart 4: New commitments by fields of assistance 2021**



In 2021, the financial volume of the projects with cash transfers fell sharply compared to the previous year. However, it should be borne in mind that most projects are multi-year projects and continued to support vulnerable people in 2021. In contrast, insurance approaches and political reform projects have risen sharply. Four new educational projects have also been added, which among other things cover the schooling costs for children.

**Chart 5: Growth in commitments according to promotional approaches (selection) 2021**



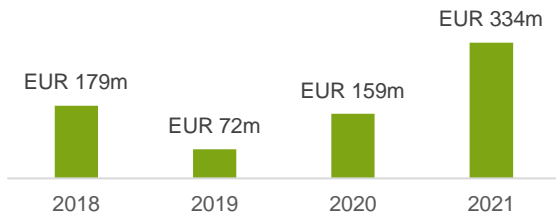
Overall, there is therefore a trend towards a structural shift compared to the previous year's commitments from short-term cash transfers to cash-for-work measures and systemic insurance approaches and policy reform measures.

### Increasing commitments in the area of cash-for-work

Commitments in the area of cash-for-work have risen to a new record high of EUR 334 million.

In cash-for-work projects, vulnerable people rehabilitate social infrastructure such as sewers, roads or work in social areas (for example, as teachers). This does not just benefit vulnerable people in the form of short-term income, but also communities in the form of rehabilitation of social infrastructure or the provision of social services.

**Chart 6: Growth in commitments for cash-for-work**

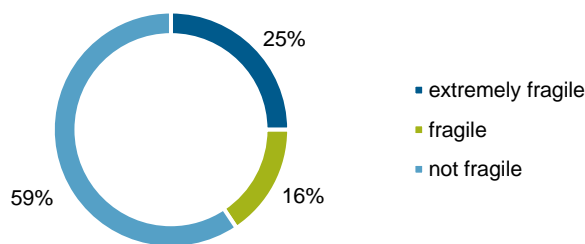


### Social protection in fragile contexts remains a priority

Fragile countries have significant deficits in the areas of security, government performance and political legitimacy. According to the OECD, around 1.8 billion people – around 77% of people in the world affected by poverty – live in fragile countries.

It is estimated that by 2030 this figure will rise to 2.2 billion.<sup>5</sup> The particularly high demand for social protection is also reflected in KfW's portfolio: in 2021, 41% of all new projects were implemented with the aim of strengthening social protection in fragile and extremely fragile countries (according to the OECD definition).

**Chart 7: New projects in fragile countries in 2021**



### Example: Cash-for-work in Turkey<sup>6</sup>

Since the outbreak of the civil war in Syria in 2011, Turkey has accommodated around 3.6 million Syrian refugees – including around 1.6 million children. The deteriorating economic situation and high inflation have further exacerbated the precarious situation of many refugee families. According to UNICEF, for example, 400,000 school-age children receive no schooling. Safe, high-quality and inclusive education is of fundamental importance for children's development. This is why KfW is financing a project implemented by UNICEF in which 140,000 Syrian children are provided with high-quality and inclusive education in a secure environment. To achieve this, 4,100 Syrian refugees are employed as support staff for 12 months. They receive a regular salary, which ensures that they and their families are able to make a living. The Syrian support staff also take part in further training. During the 12 months, the support staff are covered by Turkish social security.

Last updated: June 2022

### Outlook

While the socio-economic effects of the coronavirus pandemic have not yet been overcome, the next wave of global challenges is already apparent: due to the war in Ukraine, prices for wheat and rapeseed oil have risen across the globe. The World Food Programme predicts that 33 million more people will suffer from hunger. Rapid investment in social protection is necessary to avoid a global hunger crisis. Adaptive social protection systems are able to reach vulnerable people quickly. In fragile contexts, on the other hand, social protection systems must be sustainably strengthened in order to be prepared for future crises.

### Contact

**KfW Group**  
Nicola Dehnen  
KfW Development Bank  
Palmengartenstraße 5–9  
60325 Frankfurt am Main  
[www.kfw-entwicklungsbank.de/en](http://www.kfw-entwicklungsbank.de/en)

<sup>5</sup> States of Fragility 2020, OECD, 2020, link: <https://www.oecd.org/dac/states-of-fragility-fa5a6770-en.htm>

<sup>6</sup> BMZ no.: 2020.4062.4