

Responsibility for climate and development



COOPERATION WITH DEVELOPING COUNTRIES

The challenge of climate change

With melting glaciers, rising sea levels, dwindling freshwater resources, increasing frequency of weather extremes such as droughts, heavy rains, flooding and tropical cyclones – many with disastrous consequences for humans and the environment – climate change is one of the biggest global challenges and will affect developing countries in particular.

Sustainable development and poverty reduction are inextricably linked to the protection of the climate and the environment. In order to counteract climate change, greenhouse gas emissions must be reduced significantly. In addition, measures aimed at adapting to the impacts of climate change must be supported. After all, the greenhouse gases already existing in the atmosphere will be felt for decades to come.

New technologies that enable environmentally and climate friendly economic activity must be developed and disseminated in order to support the transition to a "green economy", a sustainable economy that accommodates both humans and the environment. Bilateral cooperation plays an important role in this transition.

In addressing these challenges, KfW has become a leading environmental and climate finance institution which is continuously expanding its activities on behalf of the German Government. The projects for which KfW Entwicklungsbank committed funding in 2010 alone are expected to reduce greenhouse gas emissions by some 10.3 million tonnes per year.

Environmental and climate competence

Many of KfW Entwicklungsbank's business areas involve protecting the environment, reducing greenhouse gas emissions and supporting developing countries in adapting to the consequences of climate change. The bank cooperates closely with the partner countries in the sectors. In planning and implementing the projects on behalf of the German Government, it applies its promotional skills and years of experience, profound knowledge of local conditions, well-founded technical expertise and innovative approaches.



Cooperative partnerships as success factor

In the area of climate protection, KfW has been active particularly in the energy sector (renewable energies and energy efficiency), forest protection, waste management and eco- and climate friendly transport. Innovative financing instruments are implemented through the financial sector.

Moreover, in preparing programmes and projects in developing countries, KfW Entwicklungsbank draws on the many years of experience KfW Bankengruppe has acquired in its domestic promotional business. The KfW Carbon Fund also provides special support to small innovative projects that foster development.

Contribution to climate protection

Avoiding greenhouse gas emissions is a central field of activity of KfW Entwicklungsbank. Promoting renewable energies, improving energy efficiency and preventing deforestation as well as the resulting release of carbon are crucial steps in meeting this objective.

Renewable energies and energy efficiency

Sustainable development requires a secure and efficient energy supply. However, converting and consuming energy often affects the environment and climate as well. These impacts can be significantly reduced through the use of renewable energies. Although capital expenditure is usually high, the use of renewables has become economically efficient for many applications. Moreover, KfW has the capacity to mobilise high potential for climate protection through improvements in energy efficiency.

KfW Entwicklungsbank is one of the world's three biggest financiers of renewable energies, supporting the partner countries of German Development Cooperation in using renewable energies and generating and using electricity more efficiently, thus making their economic growth compatible with the climate and the environment. Its support also involves consultancy in energy-policy matters.



Modern technology for climate protection

Forest conservation as climate protection

The conversion of forest into cropland and pastureland is responsible for as much as 17 per cent of global greenhouse gas emissions each year. Avoiding this deforestation is therefore a cornerstone of climate protection, as it constitutes a very cost-efficient method for protecting the climate. In addition, forest conservation makes an important contribution to preserving global biodiversity.



Forests are important carbon sinks

KfW Entwicklungsbank has been active in this area for more than 15 years, working together with governments, experienced non-governmental organisations and local actors. KfW's activities focus on supporting the creation and management of protected areas, particularly in tropical rainforests.

Thus, up until 2010 it has financed the protection of some 64 million hectares of forest – almost twice the area of Germany. Furthermore, in recent years innovative approaches to REDD (Reducing Emissions from Deforestation and Forest Degradation) fostered conservation of forests as a genuine economic alternative which brings in more revenue than most of the destructive options.

KfW supports adaptation to climate change

The people in developing countries are increasingly feeling the impacts of global warming. Among others, this affects the availability of water, food production, healthcare and infrastructure (energy, industry, transport) as well as entire ecosystems that are threatened by climate change. Adapting to these changes – for example by preparing for greater fluctuations in temperature and rainfall – is a great challenge, particularly for poor regions of the world.



Melting glaciers as a consequence of climate change

Adaptation measures are designed to contribute to minimising the risks associated with climate change. They are always based on an analysis of these climate risks. The adaptation requirements are manifold, and just as diversified are the concrete solutions which KfW develops together with its partners. One important area of activity, for example, is the stabilisation of agricultural production systems through the introduction of efficient irrigation methods or agroforestry management techniques and measures aimed at the protection and adapted management of ecosystems whose functioning is threatened by climate change. Moreover, KfW is also active in establishing early warning systems for coastal protection and financing infrastructure that meets the challenges imposed by climate change.

As climate change threatens water resources in particular, the water sector is a priority area of KfW's approaches to adaptation. Temperature changes often have direct impacts on the intensity and distribution of rainfall and the drainage of rivers. Rising sea levels can lead to salinisation of coastal aquifers. The volume of water which has been stored in glaciers over a long period of time will decline in many regions as a result of climate change.

In many regions affected by existing water scarcity, climate change will exacerbate the shortage even further. Investments contributing to the improved use of water resources are not merely investments in human survival and health – they also prevent conflicts. Foreseeable changes must be addressed already today so that the people in the partner countries are better prepared for the impacts of climate change.

KfW Entwicklungsbank contributes to this task by supporting the introduction of integrated resource management. Securing the supply of drinking water, the treatment of sewage and the recycling of effluent has particular priority in this effort.



Adaption is needed

Financing instruments

The promotion and financing of environment and climate-relevant investments in developing and industrialising countries is an important element of development cooperation. KfW applies a wide range of instruments in this field. Projects for emission reductions, climate change adaptation and technology transfer in developing and industrialising countries are financed with a differentiated mix of grants, low-interest loans with long maturities or equity participations.

A variety of special facilities and programmes are available specifically for environmental and climate protection. Innovative approaches such as financings via the banking sector or fund solutions that also attract private sector investment are further options.



The sun – a low-carbon energy source

The sale of carbon credits generates additional income for climate protection projects. This initiates relevant projects, promotes the transfer of modern technologies and supports sustainable development in the partner countries. The KfW Carbon Fund has been promoting climate protection projects all over the world since 2004. In order to support innovative programmatic approaches in a targeted manner, the Carbon Fund has been operating the PoA (Programme of Activities) Support Centre Germany since 2008.

Systematic assessment of all projects

The principles of environmental soundness and sustainability are key guiding standards of KfW Entwicklungsbank's activities. All projects are subjected to a binding assessment to ensure that they comply with acceptable environmental and social standards. Moreover, all projects supported by KfW Entwicklungsbank are analysed in a systematic climate assessment for their contribution to climate protection and climate change adaptation.

The objective of the environmental, social and climate assessment is to avoid or at least reduce any adverse impacts on humans, the environment and climate resulting from development cooperation measures already in the planning stage. At the same time, any potentials for reducing or avoiding greenhouse gas emissions and for adaptation to climate change impacts and improving the quality of the environment and social aspects are identified already in the design of projects and then taken into account in their implementation.



Systematic project assessment also benefits nature protection

Publications and more information on KfW's climate activities:

"Common responsibility for climate and development"

"Adaptation to climate change"

"Conserving forests to protect our climate"

and at www.kfw-entwicklungsbank.de

Promoting the future

KfW Bankengruppe is one of the leading and most experienced development and promotional banks in the world. We use our knowledge and our energy to improve economic, social and ecological living conditions. We do this in the fields of small and medium-sized enterprises, business start-ups, environmental protection, housing, infrastructure, education, project and export finance as well as development cooperation.

Photos:

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September 2011