Future Cities
Lively, Liveable, Productive

ANNUAL REPORT 2010 ON COOPERATION
WITH DEVELOPING COUNTRIES
New record of commitments
KfW Entwicklungsbank and DEG achieved a new record in their financing activities and new commitments in 2010. A total of EUR 5.7 billion in support was provided for projects, programmes and private companies worldwide, with a focus on combating poverty and the consequences of climate change. This represents an increase of around EUR 1.2 billion compared with the previous year. The financing volume provided by KfW Entwicklungsbank amounted to EUR 4.5 billion, of which around 64% was mobilised on the capital market. Approximately 250 million people worldwide benefit from these commitments. DEG increased its financing business to a total volume of new commitments of EUR 1.2 billion. This allows around 340,000 jobs to be created or secured worldwide.

KfW and DEG – strong in combating climate change
KfW Entwicklungsbank and DEG are expanding their commitment to combating and adapting to climate change and protecting the environment. KfW provided EUR 2.6 billion for projects in this field, which was around 58% of its total financing volume (previous year: 42%). DEG increased its commitments related to climate protection by 44% to over EUR 235 million in total.

KfW/GIZ topic of the year
KfW Entwicklungsbank, DEG and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) are once again presenting a joint area of focus in 2011. The topic is “Responsible economic action – sustainable development”, with the agencies emphasising that development programmes must take into account the fact that resources are finite. For our partner countries, economic growth is essential in order to overcome poverty. However, it must be geared towards sustainability.

Fund wins outstanding award
The European Fund for Southeast Europe (EFSE) initiated by KfW Entwicklungsbank received an award for the best fund for financing small and medium-sized enterprises, following a worldwide public vote. US President Barack Obama presented the award at the G20 summit in Seoul, South Korea. One of the aims of the EFSE is to give small businesses in South-Eastern Europe access to long-term loans in local currency. Since 2005, through local partners the fund has granted around 250,000 loans totalling EUR 1.3 billion.
Cities are expanding continuously all over the world. Megacities such as Jakarta, Shanghai, São Paolo, Mumbai, Cairo and Lagos each have over 10 million inhabitants. There are now 20 of these “megacities” worldwide, most of which are located in developing and emerging countries. Over half of humanity already lives in urban areas; according to UN forecasts, this proportion will grow to two thirds of the world’s population by 2030.

Poverty and wealth exist at close quarters in the cities: slums are expanding, the poorest of the poor live in desolate conditions – often without a permanent roof over their heads, with no safe drinking water and no solid waste or sewage disposal. Worldwide, around 890 million people live in urban slums. At the same time, however, cities are vibrant centres of the modern, globalised world. They offer jobs in the formal and informal sectors, act as engines of economic growth and create prospects – provided that responsible policies and efficient management ensure that the benefits of the city are accessible to everyone.

In the “millennium of cities”, the main imperative is to manage urban centres responsibly, to combat poverty through sustainable development and to protect and preserve the environment and the climate. The primary aim is to improve people’s lives, now and for generations to come.

Working on behalf of the German Government, KfW Entwicklungsbank and DEG – Deutsche Investitions- und Entwicklungsgesellschaft – help to shape life in cities and their environs on a sustainable basis. While KfW Entwicklungsbank provides targeted assistance mainly to public institutions in the partner countries, DEG supports private companies in these countries. The commitment of KfW and DEG helps to provide the population with safe and affordable drinking water, to treat sewage, to dispose of solid waste in an environmentally friendly way, to expand energy supply systems and the public transportation system in a way that protects the climate and to rehabilitate slums. The aim is to make the cities more liveable, particularly for poor people.

To achieve this goal, it is important that cities and municipalities in developing and emerging countries receive support in setting up efficient public administration structures, so that authorities can better perform their management duties. This also benefits the private sector: basic conditions are created to ensure that development cooperation at the entrepreneurial level takes root in a sustainable manner. This will also benefit overall economic development.

Development cooperation also promotes linkages between urban and rural areas. Urban centres are important sales markets for farmers and craftsmen from surrounding villages whose products are essential to satisfy urban dweller’s daily needs. In turn, the urban economy serves as an economic engine for the surrounding area, the region and often for the entire country. For development cooperation to be successful, cities cannot be viewed as islands. Cities need to be viewed as part of a larger system encompassing surrounding areas, regions and the natural resources therein. Any development approach needs to exploit the advantages of a city and compensate its weaknesses.

Dr Norbert Kloppenburg

"It is crucial to ensure environmentally sustainable and responsible management in cities. Only then will they be viable in the long term."

Bruno Wenn

"The private sector plays an important part in promoting growth within cities: local companies create jobs and support development throughout the country."

Dr Norbert Kloppenburg

(Member of the Executive Board of KfW Bankengruppe)

Bruno Wenn

(Chairman of the Board of Management of DEG)
FROM SHACKS TO DECENT HOUSING
IN EL SALVADOR, RESIDENTS ARE HELPING TO DEVELOP THEIR NEIGHBOURHOOD ON A SUSTAINABLE BASIS

The tropical sun beats down relentlessly from the sky, while dust swirls up on the streets of San Bartolo. The poor quarter outside the gates of the Salvadoran capital, San Salvador, was previously a solid waste dump; now, over 1,100 families live here. Simple houses with corrugated iron roofs stand in rows. Children play and dogs and cats run around in alleys between the houses.

Many slum dwellers came here during the civil war, others to escape poverty and hardship in the countryside. At first, they lived only in emergency shelters with plastic sheeting. Later, simple houses were constructed. However, some 20 years after the end of the conflict, there are still no sewers or surfaced roads. After heavy tropical rains, houses in lower areas can be left standing in water up to one metre deep; violence and crime are widespread. Usually, people living in areas such as these cannot afford anything else.

The people in San Bartolo are poor, but they want to change their situation. Some streets are gradually coming alive. Much has already changed in the area where Estela Cáceres lives: "It’s nice to see our neighbourhood today. We are very proud of it," the Salvadoran says. Cáceres, aged around 40, bubbles over with energy and optimism as she points out with sweeping gestures the improvements of just the last few months.

Her house and that of her neighbours were connected to a sewer system. Some of the alleys are now paved, as is a square that was previously used simply as an uncontrolled waste dump. Now, neighbours sit there in the shade of a laurel tree and discuss the next project – with great commitment, they help ensure that "things get better each day", Cáceres says.
The entire poor quarter of San Bartolo is soon to resemble the neighbourhood of this resolute woman: the people are working energetically. Not far away, a few dozen Salvadorans are digging a trench several metres deep in order to install sewers for waste water and rainwater.

**PEOPLE ARE WORKING ENERGETICALLY**

Each family has committed itself to working at least three days per week – without payment. Men and women, young and old, burrow and dig, haul earth away and cart in foundation materials using nothing but spades and wheelbarrows. “We want to change our lives,” one of the voluntary workers says, streaming with sweat. Then he carries on shovelling, despite the fierce heat.

The poor quarter of San Bartolo is an example of how slums can be rehabilitated and how neglected city districts can be developed and designed on a sustainable basis – as well as how to get people involved. In El Salvador, the foundation FUNDASAL organises the work: engineers and architects do the planning and give important directions to professionals – but self-help from the population is a key element of the project. The aim is to create a humane environment for the poorest of the poor. They need clean water, permanent roofs over their heads and environment friendly waste disposal systems.

“What the families are getting has cost them a lot of sweat,” says Ismael Castro, director of FUNDASAL. Homes have never simply been handed over, he explains, adding: “The more you involve people, the more committed they become.” FUNDASAL has received several awards for its development policy work.

The two development policy partners are currently working on improving the living environment for people in three communities in the wider San Salvador area, enhancing the quality of life and linking poor settlements more closely to the city. The project began in 2007 and is to be completed in 2011. Some 2,900 families in the slums, over 12,000 people, will benefit from it. On behalf of the Federal Ministry for Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung – BMZ), KfW Entwicklungsbank is contributing around EUR 8 million, about 75% of the total costs. The rest comes from communities and families and directly from FUNDASAL.
The two organisations are linked by many years of cooperation: KfW has been working with FUNDASAL for 25 years. The cooperation began during the civil war (1980–1991) and continued after the peace agreement. To this day, the Salvadorans remain grateful for this. “The German contribution was very important for the transition from war to civil life,” says Castro.

IN Volving ResiDents in ProJects

The Salvadorans were impressed not only by the urgently needed funding, but above all by the type of support. Edín Martínez ran FUNDASAL for 20 years before becoming deputy minister for housing construction in El Salvador in 2009. He remembers: “The people from KfW always showed great professional and human qualities. They demanded a lot of us. But they always listened and were willing to learn.”

For FUNDASAL, it was important to involve the affected communities in the projects. In the early 1990s, however, the organisation believed that an “assistance-based view” predominated at KfW Entwicklungsbank. At that time, the aim was to improve the living environment in the capital’s Las Palmas district. As FUNDASAL employee Claudia Handal puts it, “The Germans initially just wanted to deal with the sewer pipes and be done with it. They didn’t see why they should pay for psychologists as well.” The residents of the slums were said to have received barely any information about the planned programmes. They were distrustful, and the project was at risk of failing. In the end, KfW also funded social work and helped to involve the people – thereby supporting the approach of helping people to help themselves.

On the other hand, employees say that FUNDASAL learned to appreciate some German practices. “The Germans demanded a lot of efficiency,” says ex-director Martínez in retrospect. The KfW employees did not make the mistake of going around wagging their fingers but instead set a good example. “They always appeared at meetings well prepared and on time, always announced what they wanted to talk about and always kept their word,” sums up Martínez.

This approach was not lost on FUNDASAL either. “We learned that what we say has to hold true,” says Martínez. Responsibility, transparency and efficiency were ultimately reflected in the figures. The initial projects in the slums cost USD 5,000 per family. Today, FUNDASAL achieves the same or better results with USD 3,400 per family.
The foundation’s work is becoming increasingly professional. The former slum of Los Manantiales is today regarded as a model international project for participatory development cooperation. “Before, our shacks were washed away every rainy season. Now, we can withstand even the worst storm without any damage,” says Bianca Ventura, president of one of the twelve neighbourhood committees. Through the project, the residents obtained legal title. The houses in which they have lived for years now belong to them. This means that they can do even more for their area. Ventura proudly points out a row of almond trees, saying: “We didn’t have that before.”

**PLAYGROUNDS AND A HALFPIPE FOR CHILDREN**

Where a stream once flowed, which swelled into a perilous current each time the tropical rains came, lovingly tended gardens now grow. Ventura and her neighbours channelled the stream in a team effort. In the same way, they built a playground and a halfpipe on a former solid waste dump, where children can now enjoy themselves. “We’ve done all this ourselves,” emphasises the single mother of three children and grandmother of five.

The 6,000-plus inhabitants of Los Manantiales have paved around 19,000 square metres of roads and paths and laid 9,800 metres of water lines and 2,400 metres of sewers. In addition, retaining walls, communal washing facilities, community spaces, sports grounds and ponds have been created. The real success, however, lies in the fact that neighbours are helping each other out. “We’re creating a social network. This means that residents can learn to organise further projects on their own,” FUNDASAL psychologist Handal explains. The foundation offers courses and workshops in social management and law. People can learn a craft. These skills create employment opportunities and help to ensure that people play a competent part in shaping their residential district.

This gives slum residents prospects for the future, which has also led to a reduction in violence and crime. In El Salvador, an average of 13 people are killed every day by the Maras, extremely violent gangs of youths. Gangs like these also exist in Los Manantiales, as revealed by their signs on the house walls. However, they are peaceful. “There are no murders where we live,” emphasises Estela Sánchez, another single mother who is also active in a neighbourhood committee. Sánchez has been working to prevent violence among young people for three years and also cooperates with the police and the state social authorities.

Cooperation with the municipal authorities and the local government is an important part of the project. Alba Márquez, the mayor of the suburban community of Ilopango, which includes San Bartolo, also emphasises this. Since the programme began in the slum, the murder rate has fallen by 20%, the politician says. She is delighted that the citizens are organising themselves and coming to her with requests that they have developed together. Márquez is confident that this trend will continue. The people want to make a direct contribution to improving their living conditions: “We are in a process that can no longer be stopped,” the mayor says.
In your opinion, what is the significance of urban development in development cooperation?

Sustainable urban development is a key issue of the future, along with climate change. Cities are the drivers of the future, since this is where development takes place and where poverty can be combated efficiently. They are also particularly affected by climate change, as they are mostly located on coasts and rivers. Precautions against the effects of climate change must therefore be taken in cities in terms of infrastructure.

Is urban development a new issue for KfW Entwicklungsbank?

KfW Entwicklungsbank has always worked in and with cities. In the last few years, however, the importance of cities has increased significantly. The impressive development displayed by many emerging and developing countries would be inconceivable without the economic power of cities. Cities have a large appeal for millions of poor people, who hope above all to find work there. Most find a job in the informal sector. If we want to reach poor people, we need to invest in cities.

The global food crisis in 2010 also demonstrated that agriculture in developing countries plays an important part in combating poverty. Won’t this area fall behind if the focus is on urban development?

The issues of the city and countryside are not mutually exclusive. Cities obtain water, food and energy from their surrounding area. Rural areas cannot develop without regional centres, as this is where the markets exist for selling agricultural products and other goods and where social services can be provided efficiently. In this respect, the city and the countryside are two sides of the same coin.

What particular areas does KfW Entwicklungsbank focus on in urban development?

We have anchored urban development more strongly in KfW Entwicklungsbank and have set up a specialized team for urban development, a centre of excellence. It is located within the Asia division, as we have a particular focus on urban issues there. It is estimated that the urban population in Asia will increase by 1.1 billion people in the next 20 years. Infrastructure must be provided for the growing population. With the Asian Development Bank and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), we support the Cities Development Initiative for Asia.

What is CDIA about?

The Cities Development Initiative for Asia was set up by the Asian Development Bank and the Federal Ministry for Economic Cooperation and Development (BMZ) in February 2007. It helps cities to implement their development plans with concrete projects and programmes. KfW supports projects that serve to protect the urban climate and environment while being sustainable and of relevance to the urban poor, all within an integrated town planning system.

We do not just have this focus in Asia, however, but in all our partner countries. It is very important to us that our projects are not planned “from top down”, but rather that they are created and implemented with the involvement of the population concerned. On the other hand, in order for projects to be sustainable, it is essential that users understand that basic services are not free of charge but have to be paid for. Otherwise, a liveable, human city will not function.
CLEAR AIR AND CLEAN WATER

SUSTAINABLE URBAN DEVELOPMENT INCLUDES ENVIRONMENT AND CLIMATE PROTECTION
What makes a city liveable? Its economic opportunities, its infrastructure which enables people to obtain better education, health, culture and mobility? All of these need to be present. However, as surveys have repeatedly shown, many people also want “a healthy environment”. Intact ecosystems in the regions surrounding the city, clean air, safe water and unpolluted soil. No longer is it merely environmentalists who are demanding this. For the economy as well, a city’s environmental conditions have also become a key locational advantage – or disadvantage.

Hong Kong, for example, is feeling this. The Chinese metropolis is now a “fragrant harbour” in name only. High levels of air pollution, dirty seawater, barely any green spaces and parks – this causes hardship not only for residents but also, in the long term, for Hong Kong’s economy. Unless the metropolis on China’s southern coast solves its environmental problems in the next few years, it could lose much of its appeal to foreign investors. At least three environmental surveys conducted by the American Chamber of Commerce in Hong Kong among its members have shown this. According to these surveys, professionals are becoming less interested in working in Hong Kong, particularly because of possible effects on the health of their children.

Another example from China highlights the extent to which investment in sustainable use of natural resources pays off for a city’s development. Haikou, the provincial capital of the southern Chinese island of Hainan, depends on industry and tourism. However, untreated sewage was threatening the ecosystem in the bay of Haikou, and the groundwater was polluted. The ecological, and thus the economic, development of Haikou was at serious risk.

As a result, acting on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ), KfW Entwicklungsbank began providing support in the mid-1990s to municipal water companies for the renovation of the water and sewage systems and the construction of a new water and sewage works. Not only did KfW finance the projects, but its development experts also provided advice and support for local partners throughout the duration of the projects. China now also relies on renewable energy. The result of these environmental programmes is that Haikou is today a magnet for holidaymakers, with its coconut palm avenues, sandy beaches and famously clean air.

In Cape Town we aim at preserving biodiversity and protecting our climate. Healthy ecosystems build resilience to climate change and help to alleviate poverty. Biodiversity also carries significant educational, medical, shelter and tourism benefits. Therefore, strategies to protect Cape Town’s biodiversity are part and parcel of our urban planning. This way we are able to conserve our rich biodiversity while providing positive and sustainable development for the wellbeing of Cape Town’s growing population.

Dan Plato,
Mayor of Cape Town
Living and working in cities puts a strain on the climate and the environment. Particularly when the growth of cities is uncontrolled and unchecked and the authorities are no longer able to provide their population with the bare essentials: sewage seeps away untreated, safe drinking water is a luxury, emissions poison the air and piles of solid waste rot in residential areas.

How we make a difference
With the new projects approved in 2010, the total greenhouse gas emissions in partner countries will be reduced by 10.3 million tonnes a year. Of this figure, 7.6 million tonnes will be saved in the energy sector alone, which corresponds to the CO₂ emissions of a city like Frankfurt am Main (as at 2008). These savings are to be achieved through renewable energies (4.9 million tonnes of CO₂) and energy efficiency measures (2.7 million tonnes of CO₂).

The forest conservation programmes supported by KfW Entwicklungsbank in 2010 have contributed to a reduction of around 2.9 million tonnes of greenhouse gas emissions every year. Projects in the areas of urban development, the development of the financial sector, transportation and sewage and solid waste disposal also reduce carbon dioxide emissions.

29% of the new projects approved by DEG make a contribution towards climate protection.

Cities and climate change
Environmental damage and risks are the most common causes of disease and an increased mortality rate among the urban poor. A large proportion of the world’s greenhouse gases are produced in cities. They are generated through fossil fuel-based energy production, poor sewage and solid waste management, and industry and traffic. CO₂ emissions, in particular from traffic and transport, are increasing by 2.5% each year.

The outcome of global efforts to combat climate change and implement climate protection measures effectively will to a large extent be determined in conurbations. But even here it will not be possible to meet climate targets without the involvement of the private sector, which must be motivated to invest in climate protection. Together with the Federal Ministry for the Environment (Bundesumweltministerium, BMU), KfW Entwicklungsbank and DEG are pursuing this aim.

In 2010, the BMU and KfW Entwicklungsbank set up the Global Climate Partnership Fund (GCP). The fund, with an initial endowment of over USD 100 million, supports small and medium-sized enterprises in developing and emerging countries, including in urban areas, along with private households that invest in efficient, economical energy use and renewable energies. The fund volume is to be increased to over USD 500 million in the next five years, particularly through the involvement of the private sector. DEG and the BMU have agreed to cooperate in order to provide support to private partners, particularly small and medium-sized enterprises, for innovative projects in the fields of energy and adaptation to climate change.

KfW climate protection fund: effective worldwide
KfW Entwicklungsbank also uses funding from the Carbon Fund to purchase emission credits from environment and climate friendly projects in developing and emerging countries on behalf of European and German companies. Many of these projects for energy efficiency, renewable energies or the prevention of methane emissions at landfill sites are based in urban areas and contribute to sustainable urban development. In this way, the Carbon Fund supports projects and programmes in South Africa for energy-efficient lighting in homes and solar-powered water heating.

The projects supported by the climate protection fund generate emission credits, which are purchased by companies in Germany and Europe. In order to protect the climate it is irrelevant where emissions are mitigated; however, it is crucial that they are reduced as cost-effectively as possible. This allows companies to fulfil their obligation to avoid generating greenhouse gases more cost-efficiently than with corresponding prevention programmes in their own country. The project organisers also benefit from the additional funds generated by the sale of credits. Since the Carbon Fund was set up, around 37 million emission credits in total have changed hands, generating approximately EUR 380 million, essentially private sector funding, for climate protection projects.
Clean water is a basic requirement for making cities liveable.

**Cities need safe drinking water**

In developing countries, almost 80% of all diseases caused by environmental factors are due to a lack of safe drinking water.

For this reason, around half of KfW Entwicklungsbank’s urban projects worldwide are assigned to the water/sewage/sanitation sector. In this area KfW Entwicklungsbank made EUR 380 million available in 2010 and supported its partners in implementing sustainable solutions for municipal water and sewage systems using a needs-oriented approach. With its new projects relating to water and sewage that were approved in 2010, KfW reached more than 6 million people.

The aim of providing people with safe drinking water also plays a major part in DEG financing – for example in the Philippines, in India and in China. Projects of private partners, for which DEG has provided almost EUR 30 million in total funding, have helped to improve the supply of drinking water and sewage disposal for the poor populations in these countries. In the Philippine capital, Manila, around 5 million inhabitants have benefited from such water projects, including 1.2 million slum inhabitants.
KfW Entwicklungsbank is also active in Eastern Europe. In Serbia, for example, for many years it has funded water-supply and sewage-disposal systems to the tune of over EUR 80 million for small and medium-sized towns with 50,000 to 150,000 inhabitants. The main aim here once again is to ensure supplies of hygienic drinking water and to eliminate bottlenecks in sewage disposal. In most Serbian cities, the pipes are dilapidated, and water losses are high.

Thirteen Serbian cities are currently modernising their water-supply and sewage-disposal systems. This also involves the innovative use of incentives: cities must first qualify for the investment programme. In concrete terms, this means that they must introduce user charges that cover costs, set up an effective financial and accounting system, including an accounts receivable management, and collect user charges. Only then will the distribution networks be rehabilitated, modern water treatment plants constructed and obsolete pumping stations replaced. In this way, KfW creates incentives to encourage municipal authorities to implement the necessary reforms, without which water supply will not be sustainable.

**Waste and sewage management**

Cities are dynamic centres. However, as the economy and the population boom, the mountains of solid waste in cities also grow. A lack of professional waste management harbours significant risks. Unmanaged solid waste dump sites not only pollute the groundwater, thereby putting the health of urban populations at risk. They are also harmful to the climate due to methane gas emissions which occur when organic waste decomposes. For this reason, since 2006 KfW Entwicklungsbank has made around EUR 100 million available for the urban solid waste sector.
Industrial waste, some of which is highly toxic, is particularly dangerous for humans and the environment. Tunisia has chosen an environmentally sound path here: the North African country disposes of hazardous solid waste through a nationwide management system. Since 2009, all of the country’s hazardous solid waste has been sent to the “National Disposal Centre”, located around 80 kilometres south of Tunis, the first plant of this kind in North Africa. KfW Entwicklungsbank provided EUR 13 million in funding for the construction of the site. A further three decentralised collection points in the south, north and centre of the country are currently under construction, where less toxic waste produced in the regions is to be treated and stored.

Private treatment plant for industrial wastewater

According to UNEP, the United Nations Environment Programme, three quarters of wastewater from urban areas worldwide is discharged untreated into seas, rivers and lakes. In Latin America and the Caribbean, only 14% of sewage is treated at sewage plants, according to UN studies.

In the wider Rio de Janeiro area, for example, around 150 small and medium-sized enterprises (SMEs) in the metal processing, chemical and pharmaceutical industries produce environmentally toxic wastewater. In Brazil, SMEs often discharge their wastewater untreated into rivers and streams or allow it to seep away into pits.

Thanks to the treatment plant operated by the German company EnviroChemie, this has now changed in the area around Rio. The Hesse-based company has built a treatment plant here for industrial wastewater emanating specifically from small and medium-sized enterprises. DEG has supported this private sector investment with EUR 175,000 in BMZ funding. In exchange for a fee, toxic wastewater is transported in special tankers to the specialist plant, where it is analysed and then treated. The sludge is disposed of at a modern landfill site, and the residual water is treated biologically until it can be safely discharged into the sewer system. Environmental awareness among SMEs in the region has improved significantly in parallel with the availability of the treatment plant, which has already been expanded several times.

Integrated environmental issues

Sustainable urban development cannot work without integrating environmental issues from the very beginning. Integrated programmes must be developed that help to prevent or limit the negative environmental effects of urban growth and to conserve and protect the natural resources of cities and their surrounding areas. If ecological considerations are taken into account in urban planning and management, all areas of urban life benefit: education, health, economic development and thus also the fight against poverty.

How we make a difference

The activities of KfW Entwicklungsbank help to protect nature and the environment worldwide. Thanks to the commitments made in 2010, 1.5 million hectares of endangered natural landscape areas, particularly tropical forests, have been protected, and a contribution has been made towards preserving the livelihoods of 400,000 people.

A total of 21 million people are benefiting from improved energy supply.
NO LONGER GONE WITH THE WIND

IN ETHIOPIA, SOLID WASTE DUMPS ARE BEING REDEVELOPED AND NEW SEALED LANDFILLS BUILT

A tanker unloading toilet water: the landfill sites need to be rehabilitated.

Rubbish is not pious, nor does the wind know boundaries. Waste has spread everywhere, even to the cemetery. Wind blowing from the nearby uncontrolled waste dump has scattered some of it onto the graves. The municipal authorities of Dire Dawa, Ethiopia’s second-largest city in the east of the country, have now closed the dump site. Located in the centre of a densely populated residential area, it not only had polluted the graveyard but had also put the health of local residents at risk.

The open solid waste dumpsite is now being rehabilitated with funding made available by KfW Entwicklungsbank to the Urban Development Fund on behalf of the German Government. “It is the first time this has happened in Ethiopia,” says programme manager Ronald Steyer, who runs the KfW office in Addis Ababa. “Rehabilitation here means, above all, covering and planting. A small urban park is to be created at this site.” With German support, the 350,000 inhabitants of Dire Dawa were also given a proper new landfill. The seal prevents untreated leachate from seeping into the groundwater.

Since 2004, KfW Entwicklungsbank has supported Ethiopian municipal authorities in fulfilling their community responsibilities. This includes help with solid waste disposal and the expansion of infrastructure, such as new market halls, slaughter houses and drainage channels. Ethiopia’s municipal authorities need to become more professional, which is why clearly defined conditions are attached to the funding: local authorities must plan, apply for and implement their investment projects independently. They are supported by experts funded by Financial Cooperation (FC). The cities must meet 20% of the costs themselves; the rest comes from German FC funds.

KfW Entwicklungsbank has provided EUR 15 million for a total of 34 urban projects. “With the urban development fund in Ethiopia,” says Ronald Steyer, “the main aim is to improve something which is close to the people. The projects have a visible impact right outside their front door and improve their lives. And the municipal authorities learn to act in a way that is geared towards citizens.”
REEDS INSTEAD OF CHLORINE

A MODEL PROJECT IN MEXICO CITY: WITH BIOLOGICAL FILTERS, SEWAGE IN THE CITY CAN BE TREATED IN AN ENVIRONMENTALLY FRIENDLY WAY

The sewage in Mexico's capital has a terribly fetid smell. Only 15% is treated, while most of it converges in lagoons. As the sewers are dilapidated, around half of the foul-smelling sludge seeps into the groundwater. As a result, drinking water quality is continuously deteriorating.

The water discharged by sewage treatment plants is also heavily chlorinated and thus unpalatable, which means that it can be reused only for limited purposes – such as washing cars. If used in irrigation, it will over time cause green spaces to become salinated; in industrial production processes, it leads to corrosion.

At the same time, sewage is the only water that is abundantly available in Mexico's cities. “To ease the burden on the stressed water supply, this additional resource should be kept in the city within a recycling system,” emphasises Bernt Hagenlocher from DEG.

To date, however, drinking water has been pumped into Mexico City and then the sewage pumped back out, and this at enormous expense and huge energy costs.

Together with the national water authority, a medium-sized German company is currently testing a decentralised alternative to chlorine treatment as part of a “public-private partnership” project. The pilot facility, located at a retirement home in Mexico City, combines a biological clarifying tank with reed beds as an additional hygiene filter and an underground reservoir for storing the reclaimed water. Depending on how often sewage circulates between the reservoir and the reed filter, it is possible to achieve the quality of water required for irrigation and commercial operations – entirely without chlorine.

DEG is supporting the company with roughly EUR 167,000 in development funds, around half of the total costs. The funds come from the developPPP.de facility of the Federal Ministry for Economic Cooperation and Development, which supports projects run by private companies that are of importance for development policy. “This kind of decentralised, natural sewage treatment plant is ideally suited for office buildings with green spaces or for new settlements,” Hagenlocher is convinced. Although this will not solve the serious water problems in the Mexican metropolis, the project shows what ecological and sustainable water treatment could look like in the city.

Environmentally friendly sewage treatment: reed beds have replaced chlorine.
A BALANCE BETWEEN GIVING AND TAKING

NETWORKS BETWEEN CITIES AND RURAL AREAS CONTRIBUTE TO DEVELOPMENT
There is a lively exchange between urban and rural areas. The countryside provides water, food and energy, while the city offers jobs and market places, and therefore income. Urban centres live off the surrounding region and provide a living in return: farmers and craftsmen from rural areas sell their goods and crops mainly in the city.

Relations between cities and rural areas need to be organised in a sustainable way in order to promote development and protect both climate and the environment. This is easier for small and medium-sized cities: it is easier for them to gear economic development and growth towards the needs of their citizens while preventing negative impacts on the environment.

Cities are magnets for their surrounding areas. They promise a better life, they are centres of political power and economic activity and, to millions of people from rural regions, they appear to be a potential path out of poverty. As a result, more and more people all over the world live in cities – with serious consequences for humans, the environment and the climate. Urbanisation is progressing most quickly in developing countries: while in 1960 three of the world’s ten largest cities were located there, by 2000 this number had already risen to eight out of ten.

Today, we are seeing first signs that megacities are becoming less attractive – migration rates to megaregions are falling. One reason for this is the increasingly positive development of small and medium-sized cities. Strengthening these so-called secondary cities is a key task for German development cooperation in urban development.

"Earlier, when the Taliban were in power, we had to go to Pakistan to be able to ring my brother in Russia. It wasn’t possible to make long-distance calls from Afghanistan. Thanks to mobile phones, we now have a connection not only between the city and the countryside, but also with other countries. We can communicate with friends, relatives and loved ones."

Akbar Sediy, Afghan employee at KfW’s office in Kabul
For over 20 years, KfW Entwicklungsbank has been providing funding for the municipal development of medium-sized cities in the south-eastern African country of Malawi on behalf of the German Federal Ministry for Economic Cooperation and Development. Medium-sized cities form a bridge between bigger cities and rural areas.

Support for decentralisation

To date, the development programme for secondary cities has provided around EUR 24 million in funding to support decentralisation, strengthen the regional economy and increase political and administrative competence.

KfW does more than just provide urgently needed financial aid. Through its experts, it also supports municipal authorities in their tasks: planning and building of markets, bus stations, administrative buildings, slaughter houses and business parks, development of new residential areas and improvement of living and housing conditions in unplanned, traditional residential areas. Engineers provide technical advice when it comes to implementing decentralised investment plans. Administrative experts help to involve the population in planning, as participation is an important requirement for good governance. So far, around 344,000 people in nine cities have benefited from this programme.

In this way, the programme is changing the face of cities and providing massive impetus for development. It also gives people the awareness they need in order to actively participate in the development of their cities. Market days repeatedly demonstrate the extent to which cities that have received support become an engine for development in their region. Considerably more people than before travel from far away to sell their products or to purchase goods.

Communication is also playing an increasingly important role in the economic activities of people and the close economic links between the city and rural areas: merchants find out where the markets are. Customers learn where to obtain the goods they are looking for. People who have moved to the cities in search of work want to keep in touch with their families back home. Telecommunication providers such as Roshan, a company in Afghanistan that has received support from DEG, therefore also play an important part in connecting rural and urban areas.

Using natural resources

When it comes to the use of natural resources such as water, it becomes particularly clear how much urban and rural areas depend on each other, and how the lives and work of people in urban and rural regions influence each other. Uncontrolled growth in cities leads to environmental damage in surrounding areas, which at some point will compromise the supply of food, safe water and reliable energy supply to the urban population.
Sustainable urban development must ensure that natural resources are used responsibly. This is possible where there is close cooperation between cities and their surrounding areas, even across administrative boundaries. KfW Entwicklungsbank is dedicated to achieve this in its programmes for integrated water resource management.

Environmental programme

One example is Beijing: the Miyun reservoir, Beijing’s most important water catchment area, extends far beyond its administrative boundaries into the neighbouring province of Hebei. Environmental damage has impaired the quality of water to such an extent that the supply of drinking water to the Chinese capital is now under threat. In China’s first river restoration programme, the two inlets to the Miyun reservoir are now being released from their concrete braces.

The industrial monocultures of mountainside trees, which are not suited to the location, are to be replaced by more natural mixed forests, which can absorb more water and, like a filter, allow it to trickle through to the river. The fact that rural resources will benefit because the city of Beijing has problems with safe drinking water is a novelty.

For the first time, two Chinese provinces are cooperating at the local level and sitting together at one table as equals. For their mutual benefit: Beijing will finance the rehabilitation of a water catchment area that lies outside its jurisdiction, thereby securing its own water supply on a sustainable basis. The province of Hebei will benefit from the additional income generated by paid services and in the end will have an intact ecosystem. KfW Entwicklungsbank will co-finance the project with a development loan of EUR 5 million.

How we make a difference

With new projects relating to water and sewage that were approved in 2010, we will reach more than 6 million people. Around 40% of these projects also contribute to climate change adaptation.

For around 5 million peasants, irrigation in their fields will be improved. This will help to stabilise their income and diet.
Melting glaciers

In Peru, climate change is forcing the government and the authorities to ensure that city and countryside cooperate closely. The capital, Lima, is on the coast, where it barely rains. Some 80% of Lima’s drinking water therefore originates in the Andes and reaches the city via the Rio Rimac. Everyone depends on the river: over 8 million people around Lima, but also agriculture, industry and commerce close by. The Andes glaciers are melting as a result of climate change, making water an increasingly scarce commodity.

The public water company, Sedapal, hopes to secure Lima’s water supply with an ambitious investment programme, for which it is receiving support from experts at KfW Entwicklungsbank. Sedapal is replacing severely outdated water and sewage networks in order to reduce water losses. New water meters are also being installed and consumption-based user charges introduced in order to motivate people to use less water.

There are also plans to recycle some treated sewage for industrial use. Together with other donors, KfW Entwicklungsbank has provided an initial development loan of USD 50 million for Sedapal’s project; further loans are to follow. In a second step, Sedapal plans to develop an integrated catchment area management system, since unless the surrounding area on which the city depends is included, Lima cannot secure its water supply on a sustainable basis.

Sustainable urban development must and can take into account the mutual dependence of cities and rural areas: growing cities that ignore this connection and expand unchecked into the countryside will destroy their own source of livelihood.

KfW Entwicklungsbank committed a total of around EUR 3.1 billion over the last five years towards improving living conditions in cities. This represents 18% of the total Financial Cooperation (FC) commitments during this period.

Water supply and sewage management cannot be taken for granted in many cities in developing countries, despite this being essential for people’s health and well-being. Around half of the commitments went to these sectors (EUR 1.5 billion).

Cities have always been meeting places and centres of trade. In the era of globalisation, the mobility of goods and people has become even more important. Around 23.1% (EUR 709 million) of the approved projects were in this sector. This primarily involved KfW’s own funds, which were used to finance rail infrastructure and railways in the form of promotional loans to emerging countries.

Energy projects, particularly for supplying electric power to cities, place third among FC urban development projects, at EUR 222 million (7.2%). Around 5.8% of commitments (EUR 179 million) were provided through financial intermediaries in the form of credit lines for urban development or for financing housing in partner countries.

Around 4.3% (EUR 133 million) of the commitments were used to finance integrated urban development projects and programmes aimed at expanding and improving urban infrastructure. These projects are set to become increasingly important in future, with several major urban development programmes in the pipeline.

One key responsibility of municipal authorities is solid waste management. Some 3.2% of commitments (EUR 99 million) went to this sector. Of the remaining commitments, 2.4% (EUR 74 million) were used to finance the construction of district hospitals; 1.5% (EUR 47 million) were made available for supporting decentralisation measures, municipal development and violence prevention; 1.5% (EUR 46 million) were used to finance the construction of social housing and slum rehabilitation; and 0.6% (EUR 19 million) were made available in reconstruction aid.

Differences in totals are due to rounding.
Southeast Asia
Central and Eastern Africa
East Asia
South Asia
North Africa
Middle East
Oceania
Australia and New Zealand
Eastern Europe
Southern Africa
Western Africa
North America
Northern, Southern and Western Europe
Central and Eastern Africa
Southeast Asia

Source: UN-HABITAT
SEWAGE AS A VALUABLE RESOURCE

JORDAN: TREATED SEWAGE FOR AGRICULTURE – DRINKING WATER FOR THE CITY

The cityscape of Amman is marked by large black tanks, which stand atop almost every roof in the Jordanian capital. People use them to store their water, as this valuable resource flows from the mains only twice a week. Water consumption is strictly rationed, because Jordan’s water resources are among the scarcest worldwide. In many areas of the country, the water table is falling by more than a metre every year. “When water is this scarce,” says Gerald Scholz, project manager at KfW Entwicklungsbank, “every drop is precious. Nothing must be wasted.”

In particular, less drinking water must be used for irrigation. Jordan wants to treat more of its sewage and is therefore also promoting the recycling of water in its second-largest urban region in the north of the country. KfW Entwicklungsbank is supporting its Jordanian partner in this complex project by providing funds of EUR 22 million. The project will have several benefits at the same time. It will ensure that sewage is disposed of and treated, while also allowing farmers to irrigate their fields. In addition, energy will be generated.

The strategy is as follows. All sewage from the city of Irbid and the urban regions in northern Jordan is to pass through three sewage plants. From a plateau, the water then flows down through a pipe almost 900 metres into the Jordan Valley. In doing so, it drives a small power station, producing electricity for up to 15,000 people. In the valley, farmers can then use the water to irrigate their fields and plantations. “Since the treated sewage contains a lot of nitrogen and phosphorus, the farmers can also save on expensive and energy-intensive mineral fertilisers,” Scholz says.

Similar projects are already in place in the areas around the capital, Amman. In some cases, farmers there have been able to cut back their use of mineral fertilisers significantly without having a reduced harvest. Thanks to the use of treated sewage in agriculture, more clean water is available to supply the population throughout the country. In Amman, for example, the new KfW-supported project in northern Jordan will mean an additional 20 litres of drinking water per capita per day. The new project in Irbid is going a step further, producing green electricity at the same time. Scholz says, “This integrated approach is currently the only one of its kind in the region, and it will thus lead the way for other countries where water is scarce.”

Use of treated wastewater saves scarce water resources.
Roshan is the largest telecommunications provider in Afghanistan and the country’s biggest tax payer. The company contributes around six per cent to the gross domestic product and employs a staff of about 1,200, 20% of them female. The Aga Khan Fund for Economic Development is a majority shareholder in Roshan. DEG finances the company with USD 10 million. We interviewed CEO Karim Khoja.

Fighting is continuing in Afghanistan, and the country is poor. What is the importance of telecommunications in this situation?

We are giving the people in Afghanistan a voice: by providing access to telecommunications. They are able to communicate, to define their needs and aims. This has not been possible for many years. People talking to each other and exchanging their views do not fight, but build together one unified country.

When we came to Afghanistan in 2003, only about 100,000 people could make a telephone call. Today we have over 4.7 million customers, and the market has a total of 13 million Afghans using mobile communications.

How can poor people in Afghanistan actually afford a mobile phone?

A mobile phone used to cost about USD 500 in Afghanistan. Today, Afghans can buy one for USD 20. A local call can be made for as low as two cents per minute. We are making every effort to enable underprivileged segments of the population to make phone calls at low cost, for instance with special bundles, promotional offers and rates for women.

How can the population in rural regions use mobile communication?

People in rural areas want to use the phone, too, for instance to talk to family members living far away or in the city; farmers and businessmen also need information to efficiently run their businesses. We also provide a number of services, including commodity information for farmers, and mobile money facilities, which are used in rural areas, where there is limited infrastructure. At present, our network is covering 230 cities and communities in all 34 Afghan provinces. In some rural areas, the whole family use the mobile phone, i.e. 13 persons on average.

How does Roshan contribute to development?

The development of Afghanistan is the very centre of our corporate philosophy, part of our everyday business and our wide commitment to the Afghan people. All over the country, we support projects through our Corporate Social Responsibility arm, Roshan Community, for children, women and underprivileged village communities. This includes building three full schools, and another seven in collaboration with Save the Children, 15 playgrounds and 58 water wells. Our new mobile money service M-Paisa helps people in rural areas transfer funds and receive their salary on their mobile. We are an Afghan company, here to serve the Afghan people, and create a brighter tomorrow.
LIVEABLE AND SOCIAL CITIES
CREATING OPPORTUNITIES FOR EDUCATION AND A HEALTHY AND SAFE LIFE
People in developing and emerging countries who move from the countryside to the city in search of better prospects do not always see their hopes fulfilled: of the roughly three billion people currently residing in cities worldwide, almost a third live in slums, according to UN figures. Poverty, disease and violence are rife there.

Rapid urbanisation during the last decades has often overstretched municipal authorities in the metropolises and megacities of Asia, Africa and Latin America. However, a stable social infrastructure is essential for a liveable city.

Reducing poverty

KfW Entwicklungsbank and DEG therefore support partner countries in expanding urban infrastructure and ensuring basic social security in the city, particularly for low income groups. For instance, they fund the operation of water kiosks and the construction of private latrines and public sanitary facilities in urban slums and informal settlements in Kenya and Zambia. With their development expertise and funding instruments, they help develop and modernise hospitals. By supporting the construction of schools and universities, they allow poorer people to gain access to education, and thus create prospects for the future. In Brazil, DEG has provided funds of EUR 15 million for a group of private universities. In particular, these will provide young professionals on medium to low incomes with an opportunity to obtain a university degree.

Preventing violence

Where people have no job, no prospects and no regular roof over their heads, there is an increased risk of violence and crime. Especially impoverished and marginalised young slum dwellers, who see no chance of a better future, are prepared to join gangs that spread fear and terror.

In cities such as Lagos, Johannesburg and Nairobi, the rate of violent crime is generally much higher than the respective national average. Central American cities have some of the world’s highest murder rates. People often avoid public places and are reluctant to travel by bus or train, where there is a high risk of assaults.

“My friends and I used to hang around in the street all day in Bogotá. We had nothing to do and took drugs. I’m now learning to play the guitar in a social project. My life has changed. I’m not taking drugs anymore – and my family has accepted me again.”

José Miguel Lara Villamil, 20, a Bogotá youth
Sustainable urban development helps curb and prevent violence. Through programmes funded by KfW Entwicklungsbank, infrastructural improvements are closely linked to social projects. These measures aim to enhance public spaces and make them safer. New settlements are being created in slums where crime was once rife. Houses are receiving toilets, sinks and running water; neighbourhoods are being connected to local public transport services. The programmes seek to involve the population of the city districts, because tension and violence decline in areas where people participate in decision-making that affects their own lives, and take responsibility for themselves and their surroundings. Residents learn to get involved and organise themselves so as to ensure they have access to education, better health care and more humane working conditions.

Khayelitsha, a district of Cape Town, South Africa, is one example of successful urban planning which takes these issues into account. Since 2005, KfW Entwicklungsbank has been funding a programme there, run by the municipal government, which aims to prevent violence and crime in what is said to be South Africa's third-largest township.

Programmes making an impact

A few years ago, Khayelitsha was plagued by burglaries, muggings, murders and rapes. The violence rate there has now dropped to well below the national average.

The project supports the population, local organisations and the municipal authorities in making streets and squares more attractive and safer for the general public: buildings are being renovated, playgrounds built, street lights erected and new roads created. People once again have more opportunities to communicate, exchange ideas and meet up for a chat.

The residents of this poor quarter are learning to negotiate, reach compromises and assert their interests. This has gradually made the district safer. KfW Entwicklungsbank has been supporting the project since 2005, providing around EUR 15.5 million on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ).

Affordable health-care services

Life in the city can put a severe strain on health, particularly that of marginalised poor people living in slums and informal settlements. They are the most vulnerable – their waste is generally disposed of, if at all, with no regard to the environment. There are no sewers, the air is polluted and safe drinking water is scarce. Hospitals are often inaccessible to the poorest people, and there is a high risk of contracting cholera or diarrhoea, or even dying from it.
Diarrhoea, which is transmitted through unsafe water, has been described as the “silent killer of slums”. Places where people live in close quarters are also a breeding ground for respiratory diseases, tuberculosis and meningitis. Rich people do not live in these vulnerable urban areas. Poor people do not have the money for treatment or to look for somewhere else to live.

It is therefore crucial for the urban poor that health services be accessible and affordable. This does not necessarily mean state-run hospitals in every case. For instance, DEG has provided a long-term loan of USD 25 million to a private hospital in São Paulo, Brazil. This is to support plans to modernise and expand the hospital, which wants to make existing facilities state of the art and double total capacity to 600 beds. The foundation that runs this hospital provides assistance to the poor population in the form of free medical care, including advice centres – reaching around 22,000 men, women and children.

The public health-care system benefits from this private commitment, as the hospital also awards grants for employees of state hospitals, thereby ensuring that scientific expertise is passed on. Employees of the public health-care system are trained at the foundation’s own training and research centre. In the private sector, it is also possible to do a lot for poor people by choosing the right partners.

How we make a difference
Over 18 million children, young people and adults are benefiting from the new commitments made by KfW Entwicklungsbank in the education sector in 2010. In most cases, the focus is on enabling girls and boys to attend a primary or secondary school. However, the funds, totalling EUR 125 million, also help young people and adults learn a trade or attend a university. The education programmes are aimed in particular at poor sections of the population. On average, around 50% of people in the target group were living below the respective national poverty line. In most cases, KfW joins with other donors to fund primary school attendance for girls and boys. Basket funding has been provided for primary education in around 87% of cases.
Urban populations are growing continuously around the world. The main reason is no longer migration from rural areas but rather natural population growth within the cities. As a result, there is now a shortage of housing everywhere, particularly for poor people.

Creating housing fit for human habitation

In the Indian cities of Mumbai and Calcutta, hundreds of thousands of people sleep in the streets; in Hong Kong, people make homes on roofs and balconies or in houseboat settlements; in Latin America’s megacities, families occupy unused public land that does not formally belong to them. They live in constant fear of eviction.

Creating housing that is fit for human habitation therefore remains a top priority of sustainable urban development. In El Salvador and Panama, DFG is supporting the financing of private affordable housing for low-income groups. With a loan totalling USD 15 million, it is helping the mortgage bank La Hipotecaria finance housing in El Salvador and Panama for sections of the population whose monthly family income is on average just USD 400 to USD 800.
Sustainable urban development also requires good governance at the local level. This is why KfW Entwicklungsbank supports its partners in strengthening municipal institutions.

**Strengthening municipal institutions**

Where local authorities lack transparency, are too weak or are incapable of discharging their public mandate, a power vacuum is created, which may lead to bribery, corruption and violence. With its experts, KfW therefore supports reforms that help local governments carry out their work more professionally and effectively.

KfW Entwicklungsbank also cooperates in the Palestinian Territories with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). This agency’s advisors help develop strategies for municipalities that need support with budget management or investment planning. If the local Palestinian authorities get better at this, they can obtain more money from the MDLF the following year.

Examples like this show that progress can be achieved in urban development, particularly when people get involved and take responsibility for their own communities, and when good local governance is rewarded.

In the Palestinian Territories, KfW Entwicklungsbank is subsidising the Municipal Development and Lending Fund (MDLF) to the tune of EUR 22.5 million. All 132 municipalities in the Palestinian Territories are eligible to receive money from the MDLF. The amount depends on how well they manage their budgets. Is there actually a budget and has it been audited? Has infrastructure maintenance been taken into account – if so, how much has been set aside for it? The greater the number of positive answers to such questions, the higher the amount for the individual municipality. In applying for a subsidy, the local authorities must state how much they intend to invest, where they intend to invest it and what results they expect. Furthermore, they must demonstrate that the local council has adopted the submitted plans in a democratic manner.

How we make a difference

Over 190 million people worldwide are benefiting from the new commitments made by KfW in the health sector in 2010. Of these people, 39% live below the respective national poverty line.

This includes programmes to combat infectious diseases, which are benefiting around 38 million people in developing countries. In Nigeria, 31 million children under the age of five have been vaccinated against polio. KfW is reaching around 28 million people with projects to prevent the further spread of HIV/AIDS. Support has also been provided for programmes that help rehabilitate and modernise health-care facilities in partner countries. Some 64 million people are benefiting from this.
Mama Mbonga’s life can be divided into a Before and an After. Before, the vegetable seller’s everyday life was tedious and tiring. Fetching water took up many hours of the day – valuable time that was needed for doing business. Whether or not the water she drank was safe was a roll of the dice, and obtaining water cheaply was virtually hopeless. She had to buy it from informal traders, who controlled the business and artificially drove up prices.

Today, this is a thing of the past. Kenya’s Water Services Trust Fund (WSTF) financed water kiosks and water reservoirs in Mathare, a slum in the Kenyan capital of Nairobi, and provided yard connections. “The best thing,” Mama Mbonga says, “is that we now have water directly outside our front door and we don’t have to walk that far anymore.” Today, she says, people can be sure that the water they are drinking will not make them sick.

As in Mathare, changes have also been made elsewhere to the water supply for the poorer population. In 81 poor areas in Kenya, programmes are already underway to improve access to safe drinking water for over 400,000 people. Sanitary systems are also being expanded.

The people participate in the decisions that will significantly improve their lives. When it comes to locating a kiosk or a public sanitary facility with a shower cubicle, they and the water companies make the decision together.

And this is only the beginning. In total, over one million people will receive better access to safe drinking water in the next few years. Since 2007, KfW Entwicklungsbank has provided funds of EUR 17.5 million to the WSTF on behalf of the German Government. In doing this, it cooperates closely with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the European Union.

People in the poor areas of Kenya have grown healthier now that the drinking water is safe and waste is being disposed of hygienically. Fewer children are suffering or dying from diarrhoea or cholera. Water fees are easy to understand, and water prices have become affordable for the poorest people. Time and money are left over for school and education. “It’s not only the quality of the water but the quality of our whole lives that has improved,” Mama Mbonga believes.
Jonathan Alejandro Aroca Ardila used to hang around with friends in the street. Scars on his face and neck are a reminder of this time. “We always smoked marijuana,” the 21-year-old says. He does not give any further details – but, as violence is rife in this district of Colombia’s capital, Bogotá, it is likely that the gang of youths to which he belonged was also involved in crime.

For almost a year, Jonathan has been taking part in a municipal programme aimed at creating prospects for young, socially disadvantaged Colombians. In workshops, they learn to resolve conflicts peacefully; sports and craft courses as well as workshops on art and mechanics are offered.

The programme is part of the urban development project Convivencia (which translates as “living together”). This project aims to improve the living conditions of around 600,000 people in poor areas on the outskirts of Bogotá through social programmes, better infrastructure and municipal services. “We invite the population to get actively involved in managing their city district,” explains Rolf Rempel, a technical expert at KfW Entwicklungsbank. Citizens are encouraged to participate in and take responsibility for planning and designing their district.

KfW has provided over EUR 6 million in support for the Bogotá programme and is cooperating with the city’s municipal authorities and local mayors’ offices. The programme is building on a previous project, SUR con Bogotá, and much has already been achieved: 2,000 residential units now have water supply, the road network has been expanded, and new playing grounds and classroom space has been created for 1,000 preschool children and almost 5,000 school children.

To break the cycle of violence, drugs and crime, Convivencia involves a large number of municipal actors. Schools, health authorities, youth outreach agencies and communities are points of contact for organising cooperation. Street workers approach young people and youth gangs directly and offer alternatives to a life of crime through work and education.

Jonathan has learnt how to skilfully craft figures such as birds and elephants out of paper. He sells some of these origami figures to earn a little money. “Thanks to the project, I’ve also found new work,” he says proudly. Even rifts in his family have been mended: his mother, who had thrown him out of the house during his time on the streets, has taken Jonathan back in.
CITIES ARE CONSTANTLY IN MOTION

DESIGNING EFFICIENT AND ENVIRONMENT FRIENDLY TRANSPORT ROUTES
Traffic jams are part of everyday life in many cities around the world. One billion people worldwide commute day after day between their home on the outskirts of the city and their workplace in the city centre. According to studies, this figure is expected to rise to 1.2 billion by 2013. Managing this massive tide of people and goods in the wider area of the city in a safe, environment friendly and socially responsible manner is a challenge for every country – and for German development cooperation.

In the future, the roads that people and goods travel on in the wider area of a city will have a decisive impact on sustainable economic growth and the global climate.

The amount of space swallowed up by a city and the volume of traffic it produces are closely linked to the development of the city and its transport systems. If traffic corridors are set up at an early stage with efficient local public transport systems, this helps make cities denser and reduces the housing sprawl in the surrounding countryside. This also helps poor people reach their workplaces in the city centres more safely and quickly, meaning they do not have to spend as much money on expensive, overcrowded minibuses and shared taxis, which are often damaging to the environment.

In cities with favourable density, mobility is more energy efficient and environment friendly than in areas of extensive urban sprawl. The environment friendly organisation of transport is therefore an indispensable part of sustainable urban development. This is why KfW Entwicklungsbank helps its partner countries expand their local public transport systems systematically, improve their performance and make them more modern and above all more energy efficient. A well-organised local public transport system with modern buses and trains reduces energy consumption up to ten times – and is therefore much more climate friendly.

“For me, mobility in the city is part of everyday life: I live 30 kilometres from where I work. First I travel by minibus, then by train and then by motorcycle taxi. It takes over an hour. Our trains are often overcrowded, there’s a lot of jostling – we need modern trains and more of them.”

Kharunia Wahda, 25, works in accounts at a large company in Jakarta
How we make a difference
Thanks to the commitments made in the field of infrastructure in 2010, around a million people in rural areas alone are receiving more development opportunities through better roads and bridges. KfW Entwicklungsbank is also supporting the construction of airports, commuter and long-distance railways and roads used for more than 240 million journeys every year.

According to the Organisation for Economic Cooperation and Development (OECD), the transport sector is responsible for about a quarter of the world's carbon dioxide emissions; in many cities, traffic is one of the main sources of both noise and air pollution. The World Health Organisation regards road traffic as one of the biggest health risks to the urban poor and predicts that road traffic accidents will be the third-largest cause of death by 2020. According to its estimates, 800,000 people will die each year from the consequences of air pollution alone.

A transport system that takes into account the needs of the people can even help curb violence, as is shown by an example from Johannesburg in South Africa.

Local public transport system
Even before the 2010 Football World Cup, a modern public transport system had been created here: on a 25.5-kilometre route, the Bus Rapid Transit [BRT] project now connects the former township of Soweto with the Johannesburg city centre. Some 140 buses transport 40,000 passengers each day on schedule. At peak times, the buses depart every three to five minutes.

The tickets are much cheaper than taxi or minibus fares. KfW Entwicklungsbank has provided EUR 2 million in funding for the project, which has also been supported with technical expertise from the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The project already resulted in the creation of 500 new jobs.

Once it is fully operational, 600 buses will be able to transport almost half a million people. BRT has achieved this in the face of sometimes fierce resistance from the minibus cartels, which were afraid of losing their lucrative business and were not shy about attempting to protect their individual routes. The strategy of taking on former minibus and taxi drivers as employees and involving the taxi owners as shareholders in the operating company has paid off.

Attacks have largely been avoided – today the people who were previously the greatest opponents of the project are "on board". The new lifeline has not only given the residents of Soweto much better access to work, health and education, but has also revived the city centre, reconnected city districts that had been cut off – and helped make public spaces safe.
Cities need roads so that goods can be transported and people can travel. How else are children to get to school, sick people to health-care centres and men and women to work or to the market? At the same time, however, roads should be constructed in such a way that their negative impact on people and the environment is minimised.

No urban development without roads

In Lomé, the capital of Togo, KfW Entwicklungsbank has therefore contributed EUR 13 million on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) towards the extension of a bypass, which is part of a larger urban development project. Intact, paved roads are still rare in Lomé. Potholes so large that cars get stuck in them are one of the hazards of everyday driving there – a sign of decades of neglect. A 15-kilometre bypass does connect the city’s harbour with a national road leading north, but two thirds of it remains unpaved, and many sections of it become flooded during the rainy season owing to a lack of adequate drainage.

The large volume of dust that develops has a negative impact on the health of road users and people who live and trade along the road. Women suffer in particular: as very few of them have a motorised vehicle, they have to use the unsurfaced footpaths and therefore inhale a particularly large amount of dust and vehicle exhaust. Relief is being provided here in the form of a new road surface. The new bypass should be open to traffic by 2014 at the latest – without dust flying up and water accumulating.

Footpaths are being constructed to protect pedestrians, particularly women. This construction benefits economic development and – however paradoxical it may sound – the health of the people of Lomé. And this remains the most important task of development policy: to organise mobility in cities in such a way that it allows sustainable growth, whilst simultaneously ensuring a good quality of life and protecting resources.

Protecting the environment on two wheels: bicycles are used as a means of transport.
No sooner does the weekend traffic begin in Jakarta on Friday evenings, than it comes to a standstill once again: cars and lorries are then backed up across 14 lanes, with their engines running. A horror for the many workers who sit on the open loading areas of pick-up trucks, inhaling the fumes. They protect themselves by putting small cloths over their mouths and noses.

The consequences of Indonesia’s rapid economic growth can be seen in the wider Jabotabek area around the capital: motorised road traffic is increasing constantly. There are already 6 million privately owned vehicles, with a further 10% to 15% being added each year – a trend that is increasing. The transport sector is one of the country’s fastest-growing consumers of energy and, with emissions of 80 million tonnes of CO₂ per year, one of the biggest emitters of carbon dioxide.

The local public transport system in this megacity is unable to handle the hustle and bustle of Jakarta’s residents. Around 25 million people live in the greater metropolitan area, but the commuter rail system transported just 360,000 commuters each day in 2009. The existing rail network needs to become more capable, modern and energy efficient in order to substantially relieve the burden on the people and the environment. KfW Entwicklungsbank is providing EUR 52 million to support development of the local public transport system in Indonesia.

Ten new commuter trains, constructed jointly by one Indonesian and several German companies, are planned to be running by the end of 2011; in addition, the electricity supply, signalling equipment and repair workshops are to be improved and made more efficient. The railway inspectors are to be trained so that they can supervise the maintenance of new trains, in a similar manner to the MOT system (“technical inspection”).

Christian Schönhofen, a project manager at KfW Entwicklungsbank, sees the commuter train project as an important step in the right direction: “However, in order to be able to really set the course for environment friendly mobility, local public transport systems need to be systematically developed.” In particular, this will benefit women and poorer commuters. Reliable, safe and affordable local transport services make it easier for them to work – an important requirement for equality and further economic growth.
In Senegal, a ferry to the capital creates new sales markets for farmers

The Senegalese capital of Dakar, Africa’s most western city, is a lively metropolis with an estimated 2.5 million inhabitants. In the centre, high rise buildings form part of the cityscape. In the rush hour, row upon row of cars builds up, with motorcyclists honking their horns. Travelling hawkers offer watches, jewellery, newspapers and all kinds of knick-knacks. Fishermen sell their early morning catch in the harbour, which is located on a promontory.

The Aline Sitoe Diatta ferry departs from there twice a week, connecting the city of Dakar with the Casamance, the most southerly region of the country. "Traders from the countryside, many of them women, use the ferry in order to sell their fruits and vegetables in the capital," explains KfW project manager Jochen Meyer-Lohmann. The ship helps connect the city and rural areas. The economic development of Dakar benefits; poor farmers from the Casamance do business with their agricultural products.

The Aline Sitoe Diatta went into service almost three years ago. KfW Entwicklungsbank supported the purchase with EUR 10 million, on behalf of the German Government. The ferry is 76 metres long and can transport around 500 passengers and 20 cars. The journey from Dakar to Ziguinchor, the capital of the Casamance, is around 400 kilometres and takes about 15 hours via the Atlantic Ocean and the Casamance River.

The old ferry, Joola, sank in September 2002, killing almost 2,000 people. Without a ferry, people from the Casamance faced a long and expensive journey in shared taxis or buses to get to the city. The crisis-hit region is largely cut off from the rest of Senegal by the river and by the country of Gambia. A conflict has been simmering there for decades, with rebels battling for independence.

The region, which has around 800,000 inhabitants, was once the breadbasket of Senegal, but today it is less developed than other parts of the country. Many people have fled the conflict. However, the land is fertile, and people grow bananas and papayas, cabbages, cucumbers and tomatoes. Today, farmers and distributors see to it that the inhabitants of Dakar are supplied with food. Thanks to the ferry, they no longer have to travel in motorised vehicles, which saves fuel and prevents exhaust fumes. The project therefore also helps protect the environment.
RESPONSIBLE ECONOMIC ACTION

SMALL AND MEDIUM-SIZED ENTERPRISES ARE PILLARS OF GROWTH
Cities are hubs for trade, information, services and production – and thus engines for a country’s economy. This is where ideas are developed, and where labour, energy and resources can be combined and put to efficient use. To ensure that economic activity in cities is ecologically sound and sustainable, it is vital to provide the requisite infrastructure. Electricity, water, transport routes and financial institutions are an essential part of that activity.

In industrialised countries, cities are responsible for over 80% of the national economic result. In developing countries, they account for over 40% of the gross domestic product on average. Micro, small and medium-sized enterprises play a key part in this. In many countries, they represent up to 95% of all businesses and are key to the income of the population, particularly that of poor families.

The informal sector is also very important for the urban economy of developing and emerging countries. Even though the manufacture and sale of products at local markets and simple services may not be included in official statistics, they account for a significant proportion of the gross domestic product – 41% in Sub-Saharan Africa, for example.

Small and medium-sized enterprises (SMEs) have to work under difficult conditions in developing and emerging countries. They are too small for many commercial banks, and too large for microfinance institutions, to obtain funding for investment. However, SMEs need loans in order to be able to grow, expand their product range and adapt their operating processes to the challenges of climate change.

**Reforms on the financial markets**

To make it easier for them to gain access to capital, KfW Entwicklungsbank supports reforms in the national finance sector, with DEG and KfW Entwicklungsbank providing targeted investment in local financial markets. A functioning banking sector in emerging and developing countries provides local companies with the capital they need, thus boosting growth throughout the entire economy. DEG also supports small and medium-sized enterprises directly with loans, guarantees, investments and other types of financing. Each company is assessed to ensure that its operations are environmentally and socially sound, and is contractually obliged to comply with international environmental and social standards.

"With our restaurants in the city of Manila, we are creating jobs for skilled workers. At our culinary school, we train young people from disadvantaged families. We’re also proud of our environmental programme: the waste produced at our companies is recycled and composted in our vegetable garden wherever possible."

Susana P. Guerrero, co-founder of the Philippine company Cravings
With its loans, KfW Entwicklungsbank is also closing a gap in financing for SMEs – long-term loans for investment in factory-level environmental protection measures. One example of this is Morocco, where around 1 billion cubic metres of industrial wastewater is produced each year. Only 0.3% is treated, while the rest flows into rivers or directly into the sea. For this reason, KfW Entwicklungsbank and the Moroccan Ministry of Environment set up the environmental fund FODEP in 1998, with KfW Entwicklungsbank providing EUR 23.2 million. Since then, the fund has garnered further investments totalling EUR 58 million.

**Economic growth and climate protection**

Moroccan SMEs involved in industrial or artisanal manufacturing can obtain loans and subsidies from this fund for treating toxic wastewater or for installing electric filters or dust extraction facilities to reduce exhaust fumes. By mid-2010, the fund had financed 74 projects. This benefits not only the environment and the climate but also the health of employees at the companies. And it promotes business: since Europe has become a major export market for Morocco, Moroccan manufacturers need to comply with European environmental standards in order to sell their goods there.

Efficient and ecologically sound economic activity in cities is not possible without infrastructure. This can also be seen in India. It is estimated that cities on the subcontinent will need around EUR 900 billion for the expansion of infrastructure over the next 20 years. Safe drinking water, organised solid waste disposal, roads and affordable housing not only benefit the population of the city but are also essential for attracting companies. In India, KfW Entwicklungsbank has supported its partners in launching an infrastructure fund of EUR 200 million, which will be used to benefit infrastructure in cities through public-private partnerships. The fund brings together private operators and the private banking industry, and links social services with private-sector interests.

**Responsible economic activity**

DEG advises private companies in developing and emerging countries on how to use energy as efficiently as possible. This promotes socially responsible and environmentally sound economic activity. Furthermore, DEG founded the Interact Climate Change Facility (ICCF) together with its international partners the European Development Finance Institutions, the French development bank AfD and the European Investment Bank (EIB). This financing vehicle, which has received EUR 30 million from DEG and approximately EUR 250 million in total, serves to finance private sector projects in developing countries that support mitigation and adaptation to climate change.

**Training skilled workers**

Economically sustainable urban development is not possible without skilled personnel. DEG is therefore supporting a company in Manila, the capital of the Philippines, in training young people to work in hotels, restaurants and catering companies. The Cravings Group, which began as a family company, now has 420 employees, runs a chain of restaurants and also offers study courses and workshops in cooking and baking. In particular, Cravings aims to give a chance to socially disadvantaged people from underprivileged families. They can complete a 24-month training course that teaches them traditional methods of cooking and baking, while acquiring social values and environmental awareness.
Each year, the company trains around 440 apprentices and 1,500 students. Acting in an environmentally aware and sustainable way in order to minimise the strain on the city from solid waste is part of the company’s philosophy. Waste is separated and recycled; where possible, leftover food is composted and used as fertiliser for cultivated plots, where various biodynamic types of vegetables are grown. The company is geared towards sustainable economic activity. DEG was convinced by the Cravings concept and has provided the company with EUR 7.4 million in support.

**Jobs in the informal sector**

Small and medium-sized enterprises are important for sustainable urban development. However, the informal sector in particular plays an important part in work, employment and poverty reduction in developing and emerging countries. It creates jobs: in Latin America and the Caribbean, seven out of ten jobs are based in the informal sector, while in Sub-Saharan Africa, more than three quarters are (78%). Even the local equivalent of a few hundred euros can help secure a future here. However, due to their irregular income, and lacking the usual security and equity required by banks, these very small businesses find it difficult to obtain loans.

Such small shops and businesses, particularly in the informal sector, have now become indispensable to many cities. They benefit from microfinance institutions, which receive particular support from KfW. These offer loans, savings accounts and payment transaction services to small and micro businesses, which commercial banks generally do not reach. Microfinance institutions thus help create income and employment for a growing urban population.

In the West African country of Ghana, KfW Entwicklungsbank has also used its expertise to support and stimulate two microfinance institutions. Anyone needing capital to expand their small business or wishing to invest money in a savings account can do this at Advans Ghana. Care is taken to ensure that the microcustomers do not fall into the overindebtedness trap by taking out too many small loans.

**How we make a difference**

KfW Entwicklungsbank creates and maintains access to financial services for almost 6 million people, almost two thirds of whom are women.

The vast majority of these people – around 90% – are supported through microfinance. KfW Entwicklungsbank is thus helping ensure that the income situation of needy people in particular is improving, even after the economic and financial crisis. With the commitments made in 2010, we will be facilitating the extension of around 1.2 million additional loans over the next five years, thereby creating and securing more than 800,000 jobs.
Raghda Qosaaq, 51, owns a dressmaker’s workshop in the metropolitan area of Damascus, the capital of Syria. She is proud of what she has achieved. In her basement workshop, which is full of brightly coloured fabrics, the atmosphere is bustling. The telephone is ringing constantly, interrupting her with inquiries. The businesswoman decided eight years ago to turn her hobby into a career, when she noticed that the clothes she sewed for her friends were becoming increasingly sought after. Women were coming to her with designs taken from fashion magazines, knowing she would be able to copy them. She could never have imagined back then that she would one day need five employees to fulfil the wishes of over 100 customers.

Raghda Qosaaq says that it was a “godsend” when she heard of First Microfinance Institution (FMFI) as she was setting up her business. The question of how to finance all the materials needed in advance had been causing her sleepless nights. She obtained a loan of 100,000 Syrian pounds (SYP), the equivalent of about EUR 1,600. The conditions were fair and transparent, she says. FMFI is both the first and the largest provider of small loans in Syria and is now also developing savings products for customers, particularly small and micro entrepreneurs.

Small shops, workshops and studios are opening everywhere in Syria’s cities: people want to improve their living conditions, as unemployment and poverty are still relatively high. It is estimated that around 260,000 to 290,000 small and micro entrepreneurs in Syria want to expand. However, most do not have the funding to do this, as these clients are of no interest to state banks. Through the work of FMFI, it will become easier for poor people with entrepreneurial skills to take control of their own lives.

Thanks to FMFI’s help, Raghda Qosaaq is considering expanding her business. She also wants to export her products to Lebanon and Jordan. This does not appear too ambitious a target, judging by how often the telephone is ringing.

On behalf of the German Government, KfW Entwicklungsbank has made an equity investment in FMFI of EUR 2 million. It will also make available a further EUR 2.5 million in funds for the start-up phase of the micro-loan business. Other financial products, such as savings accounts and rural loans, are being developed with an additional EUR 0.5 million.

A business idea that works: Raghda Qosaaq’s clothes are selling well.
Almost all of the shareholders in Cameroon’s Afriland First Bank are Africans.

Whether it’s a carpentry shop, a bus company or a building contractor – anyone needing money to set up or expand a company can come to Afriland First Bank in Cameroon. This includes simple tradesmen. Or, more accurately, it is aimed precisely at them: Afriland First Bank is the number one address for small and medium-sized enterprises (SMEs) looking to grow their businesses.

"It’s definitely due in part to the fact that this bank is close to its customers," says Nina Steffens, a project manager at DEG. "Afriland First Bank is also very well connected locally. It’s a local bank with a good understanding of local conditions." Almost all of the bank’s shareholders are Africans, and the bank’s operations now extend well beyond Cameroon to Equatorial Guinea, São Tomé and Principe, the Democratic Republic of the Congo, Zambia, Liberia, Chad and Congo-Brazzaville.

Founded in 1987, the bank is not only an expert in SME financing; it also collaborates with over 100 microfinance institutions. DEG is helping the bank to more fully concentrate on its tasks by supporting it in Cameroon with a quasi-equity loan of EUR 10 million. With this financing, DEG is making a crucial contribution towards ensuring the bank’s continued growth and better access of SMEs to financing. In addition, Afriland First Bank recently set up a fund that will finance future housing construction projects. This fund is intended to primarily benefit people on low to medium incomes.

The bank has grown along with its customers. It now employs over 450 staff and indirectly helps to secure around 100,000 jobs with its customers. Project manager Steffens believes that one reason for this successful growth is that the bank has its own engineering department, which she describes as “an absolute rarity.” The bank employs 16 engineers to provide technical advice to customers on setting up and expanding. This help has proved successful in two ways: more than just charging interest, the bank also has the necessary technical expertise to advise and support its customers.
Cities are dynamic centres. They are not only growing but also changing. Town planners and architects like to compare urban development over the centuries to egg dishes: in the Middle Ages, cities were organised like a "boiled egg" – the yolk as a defined nucleus and centre of the city, with the shell on the outside as the "city wall". In contrast, cities in the industrial era resemble "fried eggs": the centre and edge are still demarcated, but there are already fluid transition points. The centre of the city has been expanded by the industrial belt.

Megacities in the era of globalisation, on the other hand, are like "scrambled eggs". Defined centres and peripheries can no longer be discerned. These are sprawling global conurbations, a swarm of people, mopeds, cars and buses. The growth in the world's urban populations is now unstoppable. This is because the rise in the number of inhabitants in urban centres is no longer due solely to migration and rural exodus but instead now principally to "endogenous" growth from within, through the young, urban population. It also means that cities are often the starting point for social and democratic change.

These young people bring with them significant development prospects. They need access to education, as well as career opportunities and jobs. Well-educated young women and men are a key requirement for development, particularly in cities.

The potential of the young population in developing and emerging countries needs to be exploited, as economic progress takes place mainly in cities. In industrialised countries, over 80% of national income is generated in cities and their surrounding areas. In developing countries, cities currently account for around 40% of the gross domestic product on average. Rural development is therefore still of great importance there, and must play an important part in combating poverty and in development strategies in the future as well.

However, no country on earth has ever achieved prosperity without urbanisation. According to UN studies, poverty can be combated particularly effectively in cities. Urban regions will therefore play a crucial part in determining whether the international community can achieve the UN Millennium Development Goals, including the most important goal – to halve the number of poor people in the world by 2015.

Cities growing endogenously

For German and international development cooperation, initiating sustainable urban development that also protects the global climate remains a major challenge of the 21st century. Whether we meet global climate protection targets will depend on our cities, where a large proportion of greenhouse gases is emitted.

Nevertheless, there are signs that the large appeal of megacities is waning. Where sheer size is no longer bringing about development but instead is restricting, obstructing and burdening it, increasing numbers of people are shifting to towns of a more manageable size. Gaining in importance are satellite towns around the megacentres, regional capitals and small and medium-sized towns, which also offer services to the rural population in the surrounding areas. A "decentralisation within centralisation" can be discerned. In urban juggernauts with 20 million inhabitants, every town planning system will fail at some point. In contrast, smaller, plannable units of up to 500,000 people are easier to structure and design.

These more manageable towns offer their inhabitants better opportunities for participating in political life and sharing in the material and cultural riches that a city can offer. Here, it is also easier to combat poverty and take decisive action to ensure that people in slums are not excluded and marginalised.

For KfW Entwicklungsbank and DEG, an important aim is to strengthen such small and medium-sized towns and thus forge a link to rural development – as cities offer sales markets for farmers.

In the cities themselves, the population can and must be involved when it comes to designing their residential districts. Ecological construction is necessary in order to save energy and protect the climate. On behalf of the German Government, KfW Entwicklungsbank and DEG also help to initiate political reforms and promote decentralised structures. Independent local action strengthens regional progress and advances national development.

The efforts of KfW Entwicklungsbank and DEG with regard to development policy always focus on the population, particularly the poor. Or, as the Greek statesman Pericles put it: "The people, not the houses, make the town." This sentence, spoken around 2,500 years ago in ancient Greece, still applies today. Modern urban development is geared towards people – their worries and hardships, their needs and desires. The paramount objective is, and will continue to be, improving the quality of life in partner countries through responsible economic activity and sustainable development and creating a promising future and better prospects for future generations.
2010 IN SUMMARY
FINANCING ACTIVITIES OF KFW ENTWICKLUNGSBANK AND DEG
KfW Entwicklungsbank

Despite the repercussions of the economic and financial crisis, KfW Entwicklungsbank increased its financing to a new record level in 2010. Commitments totalled EUR 4.5 billion, around EUR 1 billion more than in the previous year (EUR 3.5 billion).

The bulk of this increase is attributable to funds that KfW Entwicklungsbank mobilised itself via the capital market. The total funds it deployed for international development financing rose from EUR 1.9 billion in 2009 to EUR 2.8 billion in 2010, an increase from 55% to 64%. This means that almost two thirds of the total amount deployed by KfW Entwicklungsbank in developing and emerging countries on behalf of the German Government now come from its own funds.

By making extensive use of market funds, KfW Entwicklungsbank is supporting the German Government in meeting its international obligations and commitments to help reduce poverty and protect the climate. This includes the target of increasing the proportion of funds set aside for development cooperation to 0.7% of gross national income by 2015, without having a negative impact on budgets. Through its efforts, KfW is making a significant contribution towards increasing the volume of commitments recognised as Official Development Assistance (ODA). Of the commitments made in 2010, 75% qualifies as ODA (compared to 64% in 2009).

In 2010, KfW Entwicklungsbank conducted work on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) and several other German ministries. This work included programmes for peace-building, crisis prevention and conflict transformation commissioned by the Federal Foreign Office, and climate protection programmes of the Federal Ministry for the Environment (BMU). Due to its many years of country and sector-specific experience in development cooperation, KfW’s expertise is frequently in demand in these areas. On the international level, KfW cooperates with other banks, other donor institutions, the European Union and multilateral institutions to help sustainably improve the lives of people in developing countries. This can be seen in the volume of delegated funds, which rose to EUR 183 million (compared with EUR 111 million in 2009). The number of delegated cooperation arrangements increased from 11 to 39.

Origin of funds committed in 2006–2010 (EUR in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget funds</th>
<th>KfW funds</th>
<th>Delegated cooperation (third-party funds)</th>
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<td>2010</td>
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</table>
Regional commitments

KfW Entwicklungsbank once again made extensive use of market funds in 2010. In particular, this enabled it to support many projects with development loans at favourable interest rates in countries that have already made development progress and no longer have to rely solely on non-repayable grants. A considerable proportion of KfW’s own funds went to the regions of Asia/Oce­ania, Europe/Caucasus and Latin America.

By using its own funds KfW eases the burden on the scarce budget funds available to the German Government. This enables the German Government to focus more of its resources on programmes and projects that help improve people’s lives in particularly poor regions and countries. Aid for Europe’s neighbouring continent, Africa, continues to be of high importance. By far the greatest share of budget funds, EUR 643 million, went once again to Africa, another significant increase on the previous year’s figure of EUR 558 million. This means that around 44% of the funds provided by the German Government are benefiting needy countries in Africa.

The Asia/Oceania region received the second-largest share of budget funds at 29%, or a total of EUR 417 million. Of this amount, the German Government committed EUR 247 million to Afghanistan alone, while around EUR 60 million went to Pakistan, reflecting the increasing involvement of KfW Entwick­lungsbank in crisis regions. This is followed by Europe/Caucasus at EUR 153 million (11%), Latin America at EUR 112 million (8%) and North Africa/Middle East at EUR 95 million (7%).

Measured in terms of total commitments, Asia/Oceania is in first place; a total of EUR 1.1 billion went there, a slight reduction compared with the previous year’s figure of EUR 1.2 billion. The commitments for Asia are of high importance to climate, energy and environmental programmes in particular.

The Europe/Caucasus region came second, with a total volume of commitments of EUR 967 million (compared with EUR 831 million in 2009), followed by Sub-Saharan Africa at EUR 803 million (2009: EUR 669 million). Latin America received a total of EUR 422 million (2009: EUR 380 million), while the North Africa/Middle East region received EUR 399 million (2009: EUR 354 million). The volume of commitments was thus increased in almost all regions.
Budget funds committed in 2010 by region

- Sub-Saharan Africa: 29%
- Europe/Caucasus: 11%
- Asia/Oceania: 8%
- Latin America: 7%
- North Africa/Middle East: 1%
- Transregional: 44%

Breakdown of total commitments in 2010 by region and origin of funds

- Budget funds
- KfW funds
- Delegated funds
Commitments by priority development sector

KfW Entwicklungsbank significantly expanded its position as an international climate and environmental bank in 2010. One clear focus of Financial Cooperation was on projects involving environmental sustainability, and climate change mitigation and adaptation. At EUR 2.1 billion, the highest volume of commitments in 2010 was allocated for economic infrastructure (47%), with the majority of programmes in this area supporting more efficient, and thus environmentally friendly, energy use. This sum includes a one-off effect generated by a low-interest loan of EUR 500 million, through which KfW is contributing to the World Bank’s Clean Technology Fund on behalf of the German Government. This fund promotes the use of clean and renewable energy worldwide, in order to reduce greenhouse gas emissions.

KfW provided around EUR 940 million for social infrastructure in its partner countries (21%). Of this figure, around EUR 470 million helped improve water supply and guarantee environmentally sound sewage disposal and solid waste management. KfW provided EUR 125 million for the education sector, which was used for instance to help construct schools and provide further training for teachers. A further EUR 114 million was allocated for the development of health-care services, while EUR 50 million was used to support population activities and family planning.

The financial sector continues to play an important part in KfW Entwicklungsbank’s activities, as efficient and effective financial systems are a key prerequisite for sustainable development in KfW’s partner countries. In addition to support for small and medium-sized enterprises, activities in this area also include industrial environmental protection programmes. Commitments of around EUR 780 million were allocated to the financial sector, which represented 18% of the total volume of financing.

Total commitments by KfW Entwicklungsbank in 2010 by priority development sector

- Economic infrastructure: 47%
- Social infrastructure: 21%
- Financial sector: 18%
- Production sector: 4%
- Other: 10%
Our contribution to the UN Millennium Development Goals (MDGs)

The UN Millennium Development Goals (MDGs) and the Millennium Declaration agreed upon by the heads of state and chiefs of government of 191 countries in 2000 form an important precept for international development cooperation. The MDGs are regarded as a binding and quantitatively verifiable system for evaluating the development efforts of the international community. This was reaffirmed at a special UN Summit on the Millennium Development Goals, held between 20 and 22 September 2010 in New York.

One outcome of this conference was that MDG 1 – to halve the number of poor people by 2015 – can still be achieved, despite the economic and financial crisis. Based on current trends, however, it will prove very difficult to implement the other MDGs in the specified period. Considerable further effort is needed.

Through the projects and programmes it supports, KfW Entwicklungsbank helps ensure that progress is made in reducing poverty, promoting education and health and protecting the climate and the environment. These measures thus support MDG achievement. Using its MDG Reporting System, created with the help of analysts at the University of Göttingen in Germany, KfW Entwicklungsbank determines how new FC projects will directly and indirectly affect the MDGs, and help achieve them.

According to these calculations, around 69%, i.e. more than two thirds, of new FC commitments from 2010 can be expected to have a direct, positive impact on the achievement of the eight MDGs. The remaining third of financing commitments contribute to two key development policy objectives that, although mentioned prominently in the Millennium Declaration, could not be quantified in the MDGs. These are economic development (approximately 23% of funds) and good governance (approximately 8% of funds). Both objectives also have an indirect impact on the MDGs.

The new FC funds committed in 2010 will affect the MDGs as follows:

- MDG 1: 13% will help eradicate extreme poverty and hunger
- MDG 2: 6% will help achieve universal primary education
- MDG 3: 7% will promote gender equality
- MDG 4, 5 and 6: 11% will reduce child and maternal mortality rates and fight HIV/AIDS, malaria and other dangerous and contagious diseases.
- MDG 7: 12% will have a positive effect on the global environment (preventing emissions harmful to the climate, conserving biodiversity) and 13% on the local environment (drinking water supply and sanitation).
- MDG 8: 7% will have a positive effect on global partnerships for development, particularly the promotion of technology transfer, a regulated open and non-discriminatory trading and financial system and communications technology.

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<td>1</td>
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<tr>
<td>7</td>
<td>23%</td>
</tr>
<tr>
<td>13</td>
<td>13%</td>
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</table>

- MDG 1 (Extreme poverty and hunger)
- MDG 2 (Primary education)
- MDG 3 (Gender equality)
- MDG 4 (Global partnership for development)
- MDG 5 (Maternal mortality)
- MDG 6 (HIV/AIDS, tuberculosis, among others)
How we make a difference
New DEG commitments will enable around 115,000 jobs to be created or secured. A further 220,000 employees of ancillary suppliers and final borrowers supported by financial sector projects will also benefit.

The new commitments made by DEG are mobilising total investments of around EUR 7,770 million.

DEG

New commitments

Business growth in 2010 was largely shaped by the unexpectedly swift recovery of the global economy following the recession year of 2009. At around 7%, growth in emerging and developing countries was considerably more dynamic than in industrialised countries, which saw growth of just under 3%. DEG increased its financing business to a new record high in 2010, with a volume of new commitments of EUR 1,226 million (compared to EUR 1,015 million in 2009), spread across 94 projects. As part of trust business, EUR 90 million was committed on behalf of the German Government and the European Union, including EUR 30 million for project financing and EUR 70 million for loans under business start-up programmes. The portfolio increased from EUR 4.7 billion to EUR 5.2 billion, spread over 527 companies in 85 partner countries. DEG thus remains one of the largest European development finance institutions supporting private-sector development in developing and emerging countries. In 2010, DEG committed EUR 170 million (2009: EUR 149 million) to acquiring participating interests in companies. Lending amounted to around EUR 1 billion (2009: EUR 843 million), of which EUR 174 million was structured as quasi-equity loans. This brought total venture capital allocated under corporate and development policy as equity and mezzanine finance to EUR 344 million (2009: EUR 379 million). Some EUR 12 million (2009: EUR 23 million) was allocated for guarantees.

Growth in DEG commitments in 2006-2010 (EUR in millions)
**Regional commitments**

Financial commitments in the year under review were targeted at investment projects in 32 countries (compared with 42 in 2009). The least developed countries (LDCs) in which DEG financed projects in 2010 included Madagascar, Rwanda and Uganda. At EUR 360 million (2009: EUR 198 million), the largest share of DEG financing for the first time went to projects in Latin America, closely followed by commitments of EUR 351 million (2009: EUR 463 million) for Asia.

Some EUR 227 million (2009: EUR 266 million) was provided for investment in Africa. EUR 79 million of this went to Sub-Saharan Africa and EUR 34 million to North Africa. Transregional projects in Africa accounted for EUR 113 million. Europe received financing commitments of EUR 259 million (2009: EUR 80 million), while EUR 30 million (2009: EUR 7 million) was allocated to a transregional project.

**DEG commitments in 2010 by region**

- **Latin America/Caribbean**: 27%
- **Europe/Caucasus**: 19%
- **Asia/Oceania**: 22%
- **Africa**: 30%
- **Transregional**: 2%
Commitments by sector

In 2010 DEG provided EUR 404 million for the financial sector (compared with EUR 305.5 million in 2009), which was around 33% of its total commitments. Through these commitments, DEG is helping improve the financial services available to companies in partner countries. These are designed mainly for small and medium-sized enterprises, which are then provided with long-term investment capital. By providing scarce venture capital, equity and mezzanine funds perform a particularly important developmental function. DEG also supports specialist providers such as insurance companies, in order to close gaps in supply and facilitate systematic financial protection. Major secondary objectives of financial sector promotion include institution-building and the introduction of good corporate governance standards. Financing for companies in the industrial sector accounted for over 32% of new business, with a record volume of new commitments for this sector of EUR 398 million (2009: EUR 276 million). The new commitments in 2010 facilitated investments in the pharmaceutical, construction material, textiles and metal industries in particular. A record figure of EUR 272 million (2009: EUR 251 million), 22% of new business, was made available for infrastructure projects. The focus here was on modern communications networks and power plants using renewable energies. Agribusiness and the food industry – primary production, raw material processing and agricultural services – accounted for EUR 98 million (2009: EUR 141 million), or 8% of total funding volume. The services sector received new commitments of EUR 56 million (2009: EUR 41 million). Some EUR 136 million (2009: EUR 137 million) involved projects implemented in cooperation with German partners. This amount was granted mainly for investments by manufacturing industry, e.g. in Egypt, China, Croatia and Russia. Over a third of the newly committed financing was explicitly designed to support investment by small and medium-sized enterprises (SMEs). Since it is SMEs in particular that struggle to obtain long-term financing, DEG aims to help close this financing gap.

DEG commitments in 2010 by sector

- Financial sector
- Industry
- Infrastructure
- Agribusiness and food industry
- Other services

Differences in the totals are due to rounding
Environmental and social standards, climate protection

In the reporting year, commitments for climate protection increased significantly. New investments included 26 climate protection projects, which were provided with total funds of EUR 229 million (the previous year’s figure being EUR 161 million). The focus was on promoting renewable energies and energy efficiency projects. The develoPPP programme and accompanying measures were used to provide co-financing of EUR 7 million for a further 43 climate protection projects. In addition to development-policy and economic considerations, the environmental and social acceptability of individual planned investments is crucial for DEG financing. The environmental and social standards of the World Bank Group subsidiary IFC were again agreed to be binding for all financings in this reporting year. All of the co-financed enterprises also contractually agreed to observe the core labour standards of the International Labour Organisation (ILO).

*Solar plants help protect the climate.*
Advisory services and promotional programmes

In 2010, DEG continued to support its customers by providing advice on structuring investment projects. Its partners benefit from its country and sector-specific knowledge, as well as its specialised financial expertise. DEG thus helps improve the quality of the investment projects and their chances of success. In order to scale up the structural effects of its development policy projects and achieve a broader impact, DEG also implemented accompanying measures in 2010, using EUR 1.3 million of its own funds and almost EUR 2 million in budget funds from the BMZ. These funds financed 54 accompanying measures, which will strengthen the economic, social and ecological sustainability of the financing projects. As well as providing advice and training, DEG carried out energy efficiency checks for companies in the manufacturing sector and launched a cooperation project with the WWF concerning water risks in developing countries. DEG implemented an energy-efficiency programme in the industrial sector in China using just under EUR 0.5 million in ICI funds.

Using funds from the Bill & Melinda Gates Foundation and the BMZ (EUR 55 million in total), DEG and GIZ have since 2009 been implementing the Competitive African Cotton Initiative (COMPACI), a four-year project in Sub-Saharan Africa. This project aims to increase the competitiveness and the income of 265,000 cotton farmers.

International cooperation

Modelled on the successful European Financing Partners (EFP) facility, which supports private investment in countries in Africa, the Caribbean and the Pacific region, the Interact Climate Change Facility (ICCF) was created in 2010 in the context of DEG's international cooperation with its European partner institutions, the AFD (Agence Française de Développement) and the EIB. This financing vehicle, which has received EUR 30 million in funding from DEG and approximately EUR 250 million in total, helps finance private sector projects in developing countries that support climate change mitigation and adaptation.

How we make a difference

Thanks to the investments supported by DEG in 2010, the co-financed companies will soon be contributing additional income of around EUR 490 million to the state each year. This will give the governments in the affected countries greater financial latitude to reduce poverty and improve education, health and infrastructure. With EUR 2.7 billion per year, the companies will also help generate foreign exchange and stabilise the local currency.

Around 64% of the investments make a direct contribution towards achieving at least one of the eight international Millennium Development Goals. Some 28% of the projects help ensure ecological sustainability, while around one fifth (21%) help reduce poverty.
In 2010, KfW Entwicklungsbank disbursed EUR 3.5 billion for projects in developing and emerging countries. This represents an increase of EUR 800 million on the previous year’s figure of EUR 2.7 billion. Around EUR 1.7 billion of the disbursements came from federal funds. Around 60% of the international goods and services imported to the partner countries using federal funds were from German companies.

At EUR 869 million, DEG disbursements were higher than the previous year’s figure of EUR 729 million, as planned.

Debt rescheduling and cancellation

If partner countries are highly indebted, under certain conditions the German Government either makes it easier for them to repay their loans or cancels the debt altogether. This approach is based on agreements reached with the international donor community in the Paris Club. The International Monetary Fund (IMF) oversees this process; KfW takes part in the negotiations on behalf of Germany.

In 2010, as part of the Heavily Indebted Poor Countries (HIPC) initiative for debt relief in the partner countries, KfW reached an agreement with Côte d’Ivoire to reschedule debt of EUR 108 million. This is making it easier for the country to service its debts.

Partner countries can receive debt relief if they agree to use the funds for poverty reduction, environmental protection, education or HIV/AIDS prevention.

In 2010, KfW Entwicklungsbank agreed to new debt conversions with Egypt, Côte d’Ivoire, Pakistan and Peru amounting to EUR 105 million. Once these countries had put relevant measures in place, Germany was able to waive around EUR 101 million of debt, also taking various agreements from previous years into account.
### Total commitments by KfW Entwicklungsbank and DEG in 2006–2010 (EUR in millions)

<table>
<thead>
<tr>
<th>KfW Entwicklungsbank</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
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<tbody>
<tr>
<td>FC grants ³</td>
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<td>803</td>
<td>882</td>
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<td>130</td>
<td>213</td>
<td>106</td>
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<tr>
<td>– KfW funds ³</td>
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<td>448</td>
<td>821</td>
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<td>1,314</td>
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<tr>
<td>Delegated funds ²</td>
<td>85</td>
<td>80</td>
<td>68</td>
<td>111</td>
<td>183</td>
</tr>
<tr>
<td>Sum</td>
<td>2,445</td>
<td>3,002</td>
<td>3,648</td>
<td>3,482</td>
<td>4,452</td>
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<tr>
<td>DEG (own risk) ⁴</td>
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<td>1,206</td>
<td>1,225</td>
<td>1,015</td>
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<td>Total (KfW + DEG)</td>
<td>3,375</td>
<td>4,208</td>
<td>4,873</td>
<td>4,497</td>
<td>5,678</td>
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</table>

**Note:** Interest grants 38 37 90 100 209

¹ Differences compared with previous years due to interest grant adjustments
² Excluding intermediary funds in 2010 (EUR 10 million), 2009 (EUR 233 million) and 2008 (EUR 33 million)
³ Includes EUR 14 million in grants from the budget of the Federal Ministry for the Environment (BMU)
⁴ Excluding intermediary funds in 2010 (EUR 10 million), 2009 (EUR 233 million) and 2008 (EUR 33 million)
⁵ Includes EUR 92.2 million in grants from the budget of the Federal Foreign Office
⁶ All figures including risk sub-participations

Differences in the totals are due to rounding

### Origin of total commitments by KfW Entwicklungsbank in 2006–2010 (EUR in millions)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
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<th>2009</th>
<th>2010</th>
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<tr>
<td>Total</td>
<td>2,445</td>
<td>3,002</td>
<td>3,648</td>
<td>3,482</td>
<td>4,452</td>
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² Excluding intermediary funds in 2010 (EUR 10 million), 2009 (EUR 233 million) and 2008 (EUR 33 million)

Differences in the totals are due to rounding

### Breakdown of total commitments in 2010 by region (EUR in millions)

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<th>KfW Entwicklungsbank</th>
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<th>Combined</th>
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<td></td>
<td>Budget funds</td>
<td>Total commitments</td>
<td>Total commitments</td>
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<tr>
<td>Sub-Saharan Africa</td>
<td>643 (45%)</td>
<td>803 (18%)</td>
<td>172 (14%)</td>
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<tr>
<td>Asia/Oceania</td>
<td>417 (29%)</td>
<td>1,114 (25%)</td>
<td>326 (27%)</td>
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<tr>
<td>Europe/Caucasus</td>
<td>153 (11%)</td>
<td>967 (22%)</td>
<td>275 (22%)</td>
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<tr>
<td>Latin America</td>
<td>112 (8%)</td>
<td>422 (9%)</td>
<td>360 (29%)</td>
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<tr>
<td>North Africa/Middle East</td>
<td>95 (7%)</td>
<td>399 (9%)</td>
<td>63 (5%)</td>
</tr>
<tr>
<td>Transregional</td>
<td>10 (1%)</td>
<td>747 (17%)</td>
<td>30 (2%)</td>
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<tr>
<td>Total</td>
<td>1,430 (100%)</td>
<td>4,452 (100%)</td>
<td>1,228 (100%)</td>
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Differences in the totals are due to rounding
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<tr>
<th>Rank</th>
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<th>KfW Entwicklungsbank</th>
<th>Funds from other ministries/donors</th>
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<td>KfW funds</td>
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</table>
Total commitments in 2010 by country (EUR in millions) ranked by BMZ budget funds

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>BMZ budget funds</th>
<th>KfW funds</th>
<th>Funds from other ministries/donors</th>
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<td></td>
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</tr>
<tr>
<td>70</td>
<td>Oman</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>71</td>
<td>Belarus</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>72</td>
<td>Thailand</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>73</td>
<td>Guinea</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Supranational</td>
<td>145.47</td>
<td>783.77</td>
<td>32.08</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>15.70</td>
<td>124.33</td>
<td>1.07</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1,415.71</td>
<td>2,839.92</td>
<td>196.69</td>
</tr>
</tbody>
</table>

Note: interest grants total EUR 209 million (of which BMZ: EUR 204 million, BMU: EUR 5 million)

1. BMU funds
2. Delegated funds (including funds from other ministries)
3. Deviations from total budget funds, as only BMZ funds

Differences in the totals are due to rounding

Breakdown of total commitments in 2010 by DAC development sector (EUR in millions)

<table>
<thead>
<tr>
<th></th>
<th>KfW</th>
<th>DEG</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic infrastructure</td>
<td>2,105</td>
<td>238</td>
<td>2,343</td>
</tr>
<tr>
<td>Social infrastructure</td>
<td>939</td>
<td>34</td>
<td>973</td>
</tr>
<tr>
<td>Financial sector</td>
<td>784</td>
<td>404</td>
<td>1,187</td>
</tr>
<tr>
<td>Production sector</td>
<td>185</td>
<td>496</td>
<td>681</td>
</tr>
<tr>
<td>Other</td>
<td>440</td>
<td>55</td>
<td>495</td>
</tr>
<tr>
<td>Total</td>
<td>4,452</td>
<td>1,226</td>
<td>5,679</td>
</tr>
</tbody>
</table>

Differences in the totals are due to rounding
### Total KfW Entwicklungsbank commitments by BMZ priority area (EUR in millions)

<table>
<thead>
<tr>
<th>BMZ priority area</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy (including energy efficiency, renewable energies)</td>
<td>461</td>
<td>1,333</td>
</tr>
<tr>
<td>Economic reform, development of a market economy</td>
<td>1,093</td>
<td>680</td>
</tr>
<tr>
<td>Drinking water, water management, wastewater/solid waste disposal</td>
<td>445</td>
<td>491</td>
</tr>
<tr>
<td>Transport and communications</td>
<td>433</td>
<td>416</td>
</tr>
<tr>
<td>Conservation and sustainable use of natural resources</td>
<td>223</td>
<td>376</td>
</tr>
<tr>
<td>Democracy, civil society and public administration</td>
<td>209</td>
<td>266</td>
</tr>
<tr>
<td>Other, non-attributable</td>
<td>148</td>
<td>337</td>
</tr>
<tr>
<td>Health, family planning, HIV/AIDS</td>
<td>229</td>
<td>165</td>
</tr>
<tr>
<td>Food security, agriculture/fishery</td>
<td>83</td>
<td>146</td>
</tr>
<tr>
<td>Education</td>
<td>108</td>
<td>130</td>
</tr>
<tr>
<td>Peacebuilding and crisis prevention</td>
<td>49</td>
<td>104</td>
</tr>
<tr>
<td>Regional concentration</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,482</td>
<td>4,452</td>
</tr>
</tbody>
</table>

*Differences in the totals are due to rounding*

### Total DEG commitments by sector (EUR in millions)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production sectors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Agribusiness and food industry</td>
<td>151</td>
<td>98</td>
</tr>
<tr>
<td>- Industry, raw materials, mining, construction</td>
<td>261</td>
<td>398</td>
</tr>
<tr>
<td><strong>Economic infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Energy sector</td>
<td>93</td>
<td>113</td>
</tr>
<tr>
<td>- Transport and storage</td>
<td>43</td>
<td>76</td>
</tr>
<tr>
<td>- Communications</td>
<td>87</td>
<td>49</td>
</tr>
<tr>
<td><strong>Social infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Water supply, wastewater/solid waste disposal</td>
<td>29</td>
<td>9</td>
</tr>
<tr>
<td>- Education</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>- Health</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td><strong>Financial sector</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>305</td>
<td>404</td>
</tr>
<tr>
<td><strong>Other services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Trade and tourism</td>
<td>27</td>
<td>45</td>
</tr>
<tr>
<td>- Real estate, rental, business service providers, etc.</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>31</td>
<td>55</td>
</tr>
</tbody>
</table>

*Differences in the totals are due to rounding*
May 2011