



»» Centres for the future.
KfW Development
Bank's commitment.

KFW

We finance development

KfW Development Bank's commitment

KfW has been supporting the German Federal Government in implementing its development policy goals for more than 50 years within the framework of Financial Cooperation (FC). We combine financing know-how with development policy expertise. On behalf of the German Federal Government, and primarily the Federal Ministry for Economic Cooperation and Development (BMZ), we promote and support programmes and projects that mainly involve public sector players in developing and emerging countries. We help our partner countries to create better living conditions, while protecting the climate and the environment at the same time. Our commitment starts with the conception of the project and continues with the implementation through to the final performance review. In 2015, we committed EUR 6.7 billion worldwide to 307 new projects.

Would you like to find out more?

We are convinced that transparency can improve development cooperation. To this end, we make our data available online: our transparency portal www.kfw.de/transparenz provides information about the origin, use and impact of both the public funds and KfW's own funds used for development – for each country and each project. Our website www.kfw-entwicklungsbank.de also offers updated background information on development policy topics and our projects, as well as standard contracts and our guidelines on subjects such as awarding contracts, assigning consultants and fighting corruption.

The world is becoming a city

Where creativity and progress are nurtured

For the first time in history, more people live in cities than in rural areas. And this trend is set to continue. Indeed, the city-based population will continue to grow until half way through the century, particularly in Asia and Africa where it will represent two thirds of the continent's overall population by then. This development brings both opportunities and risks at the same time. On the one hand, cities are important economic and innovation centres. Around 80 % of gross domestic product is generated in cities already today; they are places of creativity and progress. They create jobs and secure an existence for millions of people around the world. With members of the population living in such close proximity to one another, social services and basic supply services such as education, health care, water and energy can be provided more efficiently.

However, there is a downside. Even today, around one billion people live in slums, cities are filled with seemingly endless traffic jams and the air is unbearably polluted. Cities are responsible for a good 70 % of the final energy consumption and the associated CO₂ emissions, and they are particularly affected by the consequences of climate change. Cities harbour and exacerbate many problems such as dirt, waste, noise, aggression, disease, hardship and poverty.

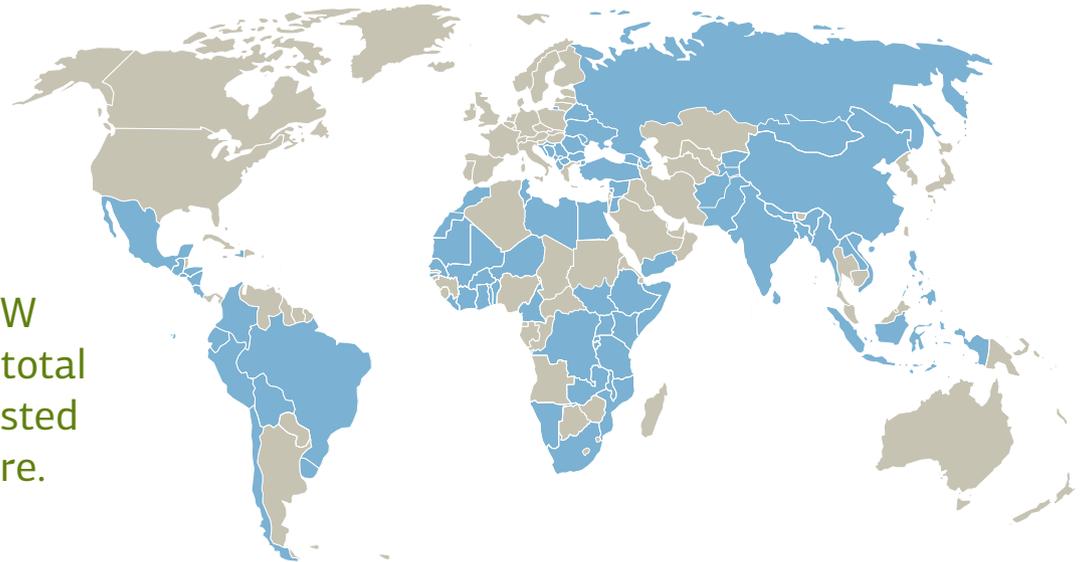
The city as a lever for development

Working on behalf of the German Federal Government, KfW Development Bank therefore helps cities to address these challenges; indeed, more than half of the promotional funds KfW employs for developing and emerging countries is invested in cities.

With the expansion of infrastructure, such as transportation or waste disposal, KfW is making a significant contribution towards making cities more liveable while protecting the climate at the same time. By financing micro- and small enterprises and supporting local administrations, it is also enhancing the economic and political potential of municipalities. In this way, KfW Development Bank helps cities in developing and emerging countries to harness the opportunities of urbanisation.

These opportunities are particularly huge and the benefit of sustainable measures is especially high because they reach out to a lot of people all at once. For example, cities can supply more people with water and energy at a lower cost and can modify transport systems so that they are geared towards sustainability. Using a rule of thumb, it will be enough to provide 85 % more infrastructure in urban areas if the number of inhabitants doubles. This is precisely why KfW is targeting cities with its projects and programmes. In so doing, it pursues the vision of PERL cities, which states that cities should be productive, efficient, resilient and liveable (PERL).

»» Around 55 % of KfW Development Bank's total commitments is invested in urban infrastructure.





Traffic flows – the lifelines of every city

Transport for the economy and for the people

Economic and social development requires mobility. This applies in particular to cities: for the economy to flourish and society to develop, people must move around and goods must be transported. It is all the more important that urban transport is designed to be sustainable and is also affordable to poor people, for whom travelling around the city is usually very difficult and expensive. Inversely, the use of transport systems enables them to access education and health services and increases their employment opportunities.

Fewer and shorter journeys, as well as the shift from personal transport to local public transport, reduces the emission of exhaust gases that are damaging to both health and the climate. Carefully planned traffic routing and the creation of cycle lanes and pavements reduce the risk of accidents, particularly for non-motorised road users who are usually poorer people. However, forward-looking urban planning is required in order to design a sustainable traffic infrastructure to benefit all people. If areas of land are settled and built on first, the effort and costs of integrating a high-performance local public transport system are much higher.

KfW helps its partners in developing and emerging countries on behalf of the German Federal Government to plan, finance and implement sustainable mobility concepts. This limits the release of greenhouse gases and other harmful emissions, and reduces the number of road accidents. At the same time, resource efficiency and safety are improved. Cities become more attractive to the people who live there and are more interesting to investors as business locations, too.

India: designing a sustainable mobility concept

India is also seeing a trend for motorised private transport with a sharp rise in the number of vehicles. To counteract this development and the resultant increasing level of pollution, local public transport needs to be made more attractive.

KfW Development Bank, on behalf of the German Federal Government, is therefore financing a modern and sustainable metro system in the central-Indian city of Nagpur. The network comprising almost 40 kilometres of metro lines – a north-south line and an east-west line – is set to provide an eco-friendly and convenient means of transport for the 2.3 million inhabitants. KfW provides funds for the procurement of carriages, as well as for the construction of the rail and communication system and stations. Through its commitment, it is contributing towards increasing the mobility of the city's population, reducing air pollution and protecting the climate in the long term.



Climate change – taking responsibility

Heavily involved, heavily affected

Worldwide, climate change has led to extreme weather conditions such as droughts, record temperatures, flooding and hurricanes, which will occur more frequently and with greater intensity in future. This has serious consequences on the availability of water, on food production, health care and infrastructure.

Cities are driving climate change through high energy consumption, resource-intensive lifestyles, extensive building activity and the resulting immense levels of CO₂ emissions. At the same time, a great many emissions that are harmful to the climate could be avoided or reduced, especially in the urban centres, through sustainable building and efficient energy systems. The greatest potential lies in the rapidly growing cities in the emerging and developing countries.

Inversely, climate change has an extensive negative impact especially on the cities. Indeed, with a high concentration of people and infrastructure, natural disasters cause widespread damage and often many people's lives are under threat at once. Adapting to these changes and to the consequences of climate change is a challenge for the entire world, but in cities this challenge is extremely tough.

Bangladesh: risks are being recognised, solutions developed

Natural disasters affect poor people first and foremost; they have little means to protect themselves from floods and storms, and they often live in housing that offers little safety. The rising sea level or excessive rainfalls represent an immediate threat to their fundamental living conditions.

For this reason KfW, on behalf of the German Federal Government, supports countries that are already suffering extensively from the impact of climate change and will continue to be particularly exposed to it in future. The new "Economics of Climate Adaptation" (ECA) method is being applied in Barisal, a city in southern Bangladesh, for example. It was developed by the Swiss reinsurance company Swiss Re in collaboration with other organisations. It can be used to calculate the damages resulting from climate change in the coming decades, taking into account economic and demographic development. In this case, an analysis is carried out on the climate-related risks in Barisal, the areas as well as the population groups within the city that are most at risk; affordable countermeasures are identified at the same time, and are then implemented within the framework of a citywide adaptation strategy.

Development of districts – promoting integration

Living space is often in short supply

Cities are bursting at their seams – resulting in shanty towns, lack of living space, shortage of basic supplies and inhumane living conditions. Every city district has its own needs – whether it be a slum, a working district or an old town.

Depending on their requirements, city districts need tailored measures and context-specific solutions for designing living space. Cities should be designed to be compact and for mixed use, and uncultivated areas in the city can be used to ensure resource-conserving urban development. When working space and living space are combined in an intelligent way and are integrated into urban planning, ultimately the entire city benefits.

The rapidly growing cities in the developing and emerging countries are less able to cover the basic needs of their residents through public services. Growing slums are the consequence of this. A quarter of the entire city population currently lives in these kinds of informal settlements. Due to the high population density, there is a lack of hygiene, income opportunities and transport, and people generally have no access to modern energy.





There is also high potential for violence and conflict. Safe public spaces play a key role in preventing this. Furthermore, the structural and social integration of the informal settlements plays a huge role in city life overall in terms of preventing poverty and inequality.

El Salvador: the country's capital becomes liveable

KfW, on behalf of the German Federal Ministry for Economic Cooperation and Development, is promoting a programme to clean up slums in San Salvador, the capital city of the Central American state El Salvador. The long-lasting internal conflicts in El Salvador drove many people to the capital city many years ago. People who made the journey there often only found refuge in wildly rampant city districts. There was a lack of appropriate living space, hygiene was questionable and crime was high. As part of the project, around 40 city districts have since been provided with basic infrastructure including electricity, water connections and waste water disposal. Plazas, parks and playgrounds have also been created in the districts, making them more pleasant places and providing an effective means against violence. The residents also gained land and ownership rights and, depending on the district, certain construction measures were implemented to prevent the risks associated with climate change. Around 90,000 people have since benefited from the improved living conditions in their immediate surroundings.

City development – sustainable planning

A well-devised infrastructure offers many benefits

Sustainable cities are based on integrated development. They preserve natural resources through better use of space, energy-efficient building practices, eco-friendly mobility and the creation of a recycling economy. Not only do they provide all residents with electricity and clean drinking water; they also offer safety, education, health care and jobs.

The key to a sustainable city is a well-designed infrastructure that is planned for the long term. This brings many benefits. Comprehensive planning makes projects more cost-effective overall than planning individual measures separately. Bad and partial decisions – if they have been made and implemented – are difficult to correct in condensed spaces. Long-term planning also influences social factors such as hygiene, health and education, which are crucially important for city life. And last but not least, it increases environmental and climate protection: transport systems that leave out green spaces from the very outset help to maintain biological diversity. This strengthens the climate-related ecosystems and also creates places where people can meet and relax. An efficiently designed waste and waste water disposal system as well as green energy production considerably improve quality of life in the long term.

North Uganda: improving living conditions

Such effects can be achieved in the north Ugandan city of Gulu, for example, where KfW, on behalf of the German Federal Ministry for Economic Cooperation and Development, is supporting the local water supplier and the city administration with the expansion of the basic infrastructure. As a result, this will not only ensure a constant water supply in the long term, but also improve hygiene, prevent disease and contribute towards protecting both the climate and the environment. The local infrastructure has been neglected over the years and is inadequate on the whole. Very few people have access to pure drinking water today, as water resources are in short supply. The fact that there is also a lack of waste and waste water disposal is not only a burden on the environment, but also a health hazard for Gulu's residents. KfW's integrated programme approach incorporates the provision of water and sanitation as well as measures for waste disposal, surface drainage and a carefully designed land use plan.

Huge opportunities in a small area

The city as the laboratory of the future

The example of Gulu demonstrates that urban centres can only be sustainable if certain aspects are taken into consideration all at once. Despite all the challenges, KfW Development Bank primarily sees the opportunities that result from the historically unique process of urbanisation. After all, a great deal can be achieved and a big difference can be made in confined spaces. Urban centres are where it will be determined whether the global energy turnaround will be a success, whether climate change can be controlled and whether or not we will be surrendering to the global challenges. According to the United Nations, our struggle for global sustainability will be won or lost in the cities.

Sustainable, productive and liveable cities require a minimum level of urban planning, however. This is essential if cities are to actively shape urbanisation and convert theoretical opportunities into actual advantages. The creation or modernisation of infrastructure as well as the creation of new concepts are key in this respect. This means, for example, revitalising uncultivated areas, designating green spaces, cleverly combining workplaces and living spaces, and coordinating roads and settlements.

High investments that pay off

To achieve all of this, besides their own effective governance and sound planning, the cities need money above all else. The need for investment is so huge that it must come from a variety of sources. In addition to international support, this includes partnerships with the private sector, borrowing and higher revenues obtained through taxes and fees. The value of sustainable urban development is clear: cities are real accelerators of development.



Responsible banking

KfW is one of the world's leading promotional banks. It applies its decades of experience to improving economic, social and ecological living conditions at home and abroad on behalf of the German Federal Government and the federal states.

KfW Development Bank is responsible for part of KfW's international business, in which its two subsidiaries KfW IPEX-Bank and DEG are also involved. While KfW IPEX-Bank is active in international project and export finance, DEG provides financing and consulting to private companies investing in developing and emerging countries.

Photos

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