

## Environmental and social impact assessment

Evaluate risks and take opportunities

Before being launched, all projects are subject to an environmental and social impact assessment and checked for their relevance to climate change. While this costs time and money, it is advisable because it facilitates responsible, sustainable investment.

### Context

For many years, KfW Development Bank has analysed the risks of projects for people and the environment as part of a systematic environmental and social impact assessment (ESIA). Are cultural assets affected or do modern forms of cultivation introduce new types of plants? Do access roads need to be built that affect villages or towns? Do new facilities pose risks for people and the environment? Which measures have to be taken as a result?

An ESIA comprises the analysis and evaluation of a project's impacts on the environment and social issues, and examines possible alternatives. Additionally, protection and compensation measures are developed while information is given on monitoring the proper operation of facilities and installations. This complements the planning, approval and supervision procedures which although they exist in many partner countries are often not sufficiently available.

In addition to the ESIA, since 2011 KfW has applied a guideline for the systematic integration of climate aspects at the initiative of the Federal Ministry for Economic Cooperation and Development (BMZ) and integrated this into assessment processes. The objective of the current environmental, social and climate assess-

ment is to avoid, or at least mitigate, any adverse effects of climate change as early as the planning stage for development policy measures, and take advantage of development potential. The assessments also examine how people adapt to the changed climate conditions and identify specific measures that help to cope with the new circumstances.

### The KfW development approach

In a screening process, the project managers categorise potential promotional projects in programmes with significant (A), potential (B) or low to no negative effects (C) on people, the environment and the climate. A project even in category B requires an in-depth environmental and social impact assessment that highlights specific issues and solutions. For example, a climate assessment clarifies whether climate change could pose substantial risks for the given project or whether opportunities for new developments may arise. A detailed assessment is carried out if there are major uncertainties regarding the future climate of the region which affect the project. This is necessary for example with irrigation systems or projects concerning water supply if there are signs of significant displacements in the water balance. For risky projects classed in category A which have far-reaching effects on the environment and people, such as infrastructure measures (road and



Environmental protection is part of the KfW fabric.  
Source: KfW photo archive

railway construction), transmission lines or even many wind power plants, KfW funds comprehensive impact studies. These highlight the problems as well as the ways in which these issues can be mitigated. For example, adaptation, protection, reduction and compensation measures are determined, introduced and subsequently monitored – often by a local expert. Thus the results of integrated impact assessments lead to guidelines for the project-executing agency and the partner country.

Numerous awards prove the success of this approach. Together with the Federal Ministry for Economic Cooperation and Development (BMZ) and the German Society for International Cooperation (GIZ), KfW received, for example, the "Institutional Award" of the International Association for Impact Assessment (IAIA) in recognition of its integrated environmental and climate assessments. The IAIA is the leading global network for environmental impact assessments.

Identifying and therefore avoiding or reducing such risks and problems derived from failing to consider ecological, social or climate-related aspects appropriately is also an important factor in preserving the reputation of KfW Development Bank. This diligence is also crucial in view of KfW's role as a bond issuer for socially responsible investors. KfW has been rated "very good" by sustainability rating agencies for many years, and has been assigned a top ranking by each in their international sector comparisons.



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Wind power plants need bird protection  
Source: KfW photo archive / photothek.net

### Wind power plants: Egypt making progress

The conditions for wind power are excellent along the western Egyptian coast of the Red Sea. This is where the largest wind power plant on the African continent is located with 100 turbines. Each year it supplies 200 megawatts of electricity, making it the most productive plant in Africa. However, before the construction began KfW Development Bank's ESIA indicated that the region of Gabal el Zayt also lay on the route of hundreds of thousands of migratory birds making their way from Europe to their wintering sites and back.

They run the risk of flying into the 120-metre high rotors and dying. State-of-the-art technology is used to prevent this from happening: rotors whose speed can temporarily be reduced, or even completely stopped. An ornithologist monitors the region during the migration season and can order the shut-down of the plant in the event of a large flock of migrating birds. Once the birds have passed, the rotors can start up again.

The Egyptian government accepted the nature conservation guidelines of KfW Development Bank, thereby relinquishing part of the targeted energy yield. Egypt also accepted KfW's recommendation to make the southern part of the region a protected zone, and released only part of the area in the north for additional wind power plants.