

Qualitative growth

"More and more" is not what it's about

Growth does not just mean an increase in income. If it is to really improve living conditions, it includes several dimensions: the economic, the social and the ecological dimension. Today's growth cannot be at the expense of future generations, and precisely this is why KfW Development Bank promotes qualitative growth in its partner countries.

Context

Economic progress is key to improving living conditions in poorer countries. Yet this progress must not harm the environment and social peace. Qualitative growth means more than just increasing economic output – it aims at increasing the well-being of society as a whole, and is the guiding principle of German financial development cooperation.

What is qualitative growth? Qualitative growth describes a development process aimed at sustainable progress in economic, ecological and social terms. Qualitative growth means increasing the well-being of society as a whole, which does not necessarily mean an increase in income. For example, it is reflected in a fairer distribution of income, more equal opportunities, social security, peaceful coexistence or safeguarding the natural environment.

Growth is therefore multi-dimensional. Progress in development can only take place if all three dimensions of qualitative growth are taken into consideration: the economic, the social and the ecological dimension.

The KfW development approach

The partner countries of German development cooperation address in their project proposals bottlenecks such

as expanding schools or the health system, improving the energy or water supply, or developing the financial system. KfW Development Bank supports its partners in projects such as these, with tailor-made financing solutions, as well as with counseling. In doing so, KfW ensures that the goals of qualitative growth are implemented in the planned projects.

To live up to this standard, KfW Development Bank checks project proposals to see whether all three dimensions of qualitative growth are fulfilled. Important tools in achieving this are target group and institution analyses, as well as environmental, social and climate impact analysis.

In evaluating the project ideas, KfW Development Bank aligns itself with local standards in the partner countries. In a second step, KfW checks whether the local standards meet international regulations. The purpose is working towards a design of the measures that is in keeping with international standards such as UN Universal Declaration of Human Rights or the "safeguard policies" of the World Bank.

When it comes to financial sector development, KfW Development Bank also checks that qualitative growth is achieved. For example, supporting the financial system also contributes to developing the credit system. Extending loans is not a neutral activity, however, rather it can be linked to complying with economic, social and ecological standards. When loans are provided in this way, it is known as "Responsible Finance", financing in a responsible manner.

KfW Development Bank promotes Responsible Finance and obliges the local financial service providers it supports to do likewise. Through dialogue with ministries, central and commercial banks, KfW Development Bank advocates the implementing of the principles of Responsible Finance as a component of financial sector development.

In practice, it cannot be denied that a conflict of inter-

ests can arise when combining the three dimensions of qualitative growth. Economic growth can have negative impacts on the environment, such as higher carbon dioxide emissions or noise pollution. On the other hand, setting up a national park to save the local environment can entail restrictions on land usage for the local population. If conflicts such as these arise, solutions are sought. These cover a wide spectrum of possibilities and range from reconciling the interests of those affected to compensation payments. For example residents of a national park could receive a share in the revenue from tourism, or find employment in the park administration. Projects are not financed if the negative consequences of a measure are found to be unacceptable.

KfW Development Bank consistently implements the guiding principles of qualitative growth in two ways: by financing the projects of its partner countries and thus supporting them in pursuing a path of sustainable development, and secondly by assuring that economic, ecological and social impacts are systematically considered in the projects it supports.



Waste management – a good example for qualitative growth. Source: KfW-Image archive / photothek.net

Turkey – a clean Denizli

Unauthorised rubbish dumps turned into a problem in the Turkish city of Denizli. The city with a population of 400,000, not far from the world famous travertines in Pamukkale, is experiencing rapid growth. Yet it does not have a landfill site which matches western standards and the city's local authorities have not always been able to keep up with its refuse disposal tasks.

In 1999, KfW Development Bank provided the city with a loan totalling EUR 8.3 million. The waste management administration was reorganised, infrastructure for disposal was set up and a new fee system introduced which would make operations economically profitable.

And everyone has benefited: the people in Denizli, the environment and the city's economy, because today, Denizli is an attractive town with clean streets. Methane gas emissions are collected at the new rubbish dump and burned off without harming the environment. The refuse disposal and recycling systems which are now economically viable have created new jobs which, in part, employ people who previously worked in the informal sector as rubbish collectors. This project is a prime example of qualitative growth which improves the living situation of many people, protects the environment and majorly benefits the economy.

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