

»» Development Banks as facilitators for Green Banking

DIE – UNEP Inquiry Conference:
Financing sustainable development - Role of Financial Governance in
Greening Financial Systems

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Bank aus Verantwortung

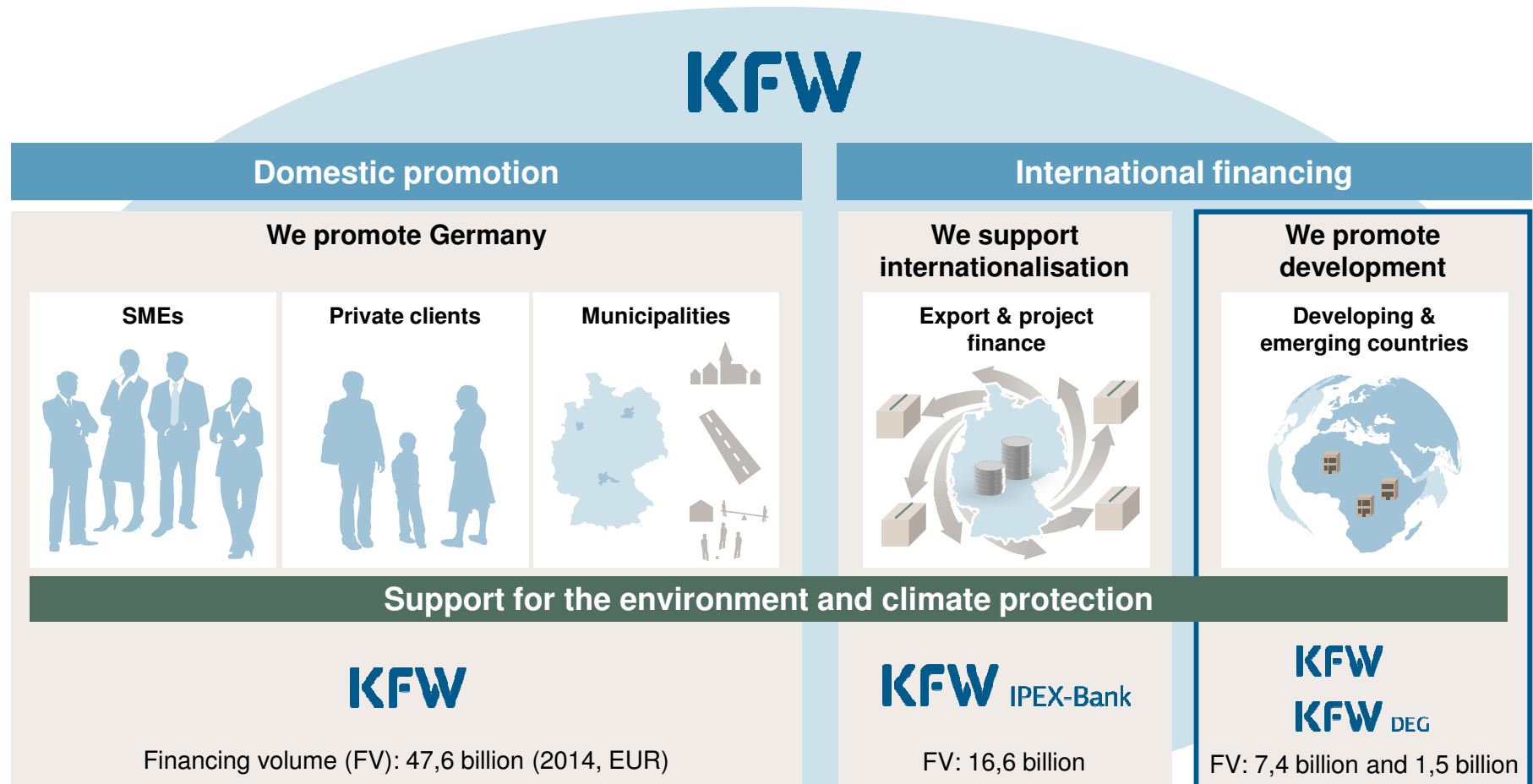
The logo for KfW, consisting of the letters 'KFW' in a bold, blue, sans-serif font.

»» Outline

- 1 KfW Development Bank - who we are and what we do
- 2 Green Finance as main pillar of KfW's mission
- 3 The role of KfW in facilitating Green Banking
- 4 Challenges in Green Banking

»» 1. KfW Development Bank - who we are and what we do

KfW Group commitments 2014



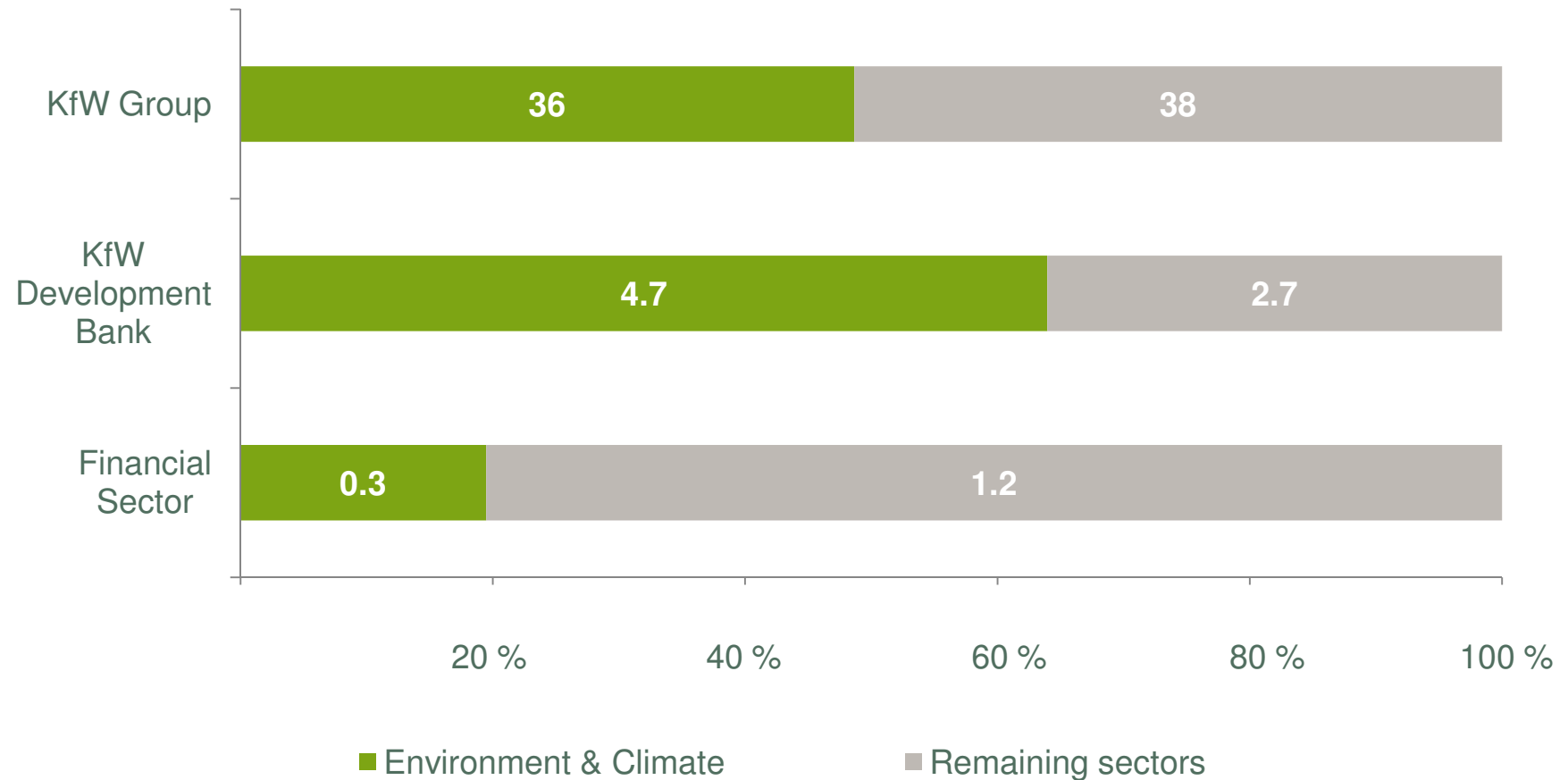
»» 1. KfW Development Bank - who we are and what we do

Overview of KfW Development Bank

Task	<ul style="list-style-type: none">› Promoting investment and reform processes in developing and emerging countries
Clients	<ul style="list-style-type: none">› German federal government (especially BMZ)› EU Commission› Selected bilateral donors
Objectives	<ul style="list-style-type: none">› Sustainably improve economic and social conditions› Poverty reduction› Climate and environmental protection
Implementing partners	<ul style="list-style-type: none">› Government institutions as well as NGOs in suitable cases
Financing volume 2014	<ul style="list-style-type: none">› EUR 7.4 billion









»» 2. Green Finance as main pillar of KfW's mission

KfW Commitments 2014 for environment and climate, bn EUR



»» 3. The role of KfW in facilitating Green Banking

UNEP Inquiry : Key priorities to facilitate green banking

PRIORITY	PROPOSAL PACKAGE: KEY TOOLS
• EXTEND RISK-BASED GOVERNANCE	 Risk management guidance
	 Internal stress tests
	 Regulatory stress tests
• STRENGTHEN ACCESS TO SUSTAINABLE FINANCE	 Priority lending requirements
	 Low cost loans and guarantees
	 Variations in capital provision requirements
	 Central bank refinancing operations.
	 New financial models
• IMPROVING BANKING CULTURE AND STRUCTURE	 Financial capacity building
	 Market structure and development
	 New green financial institutions
	 Value based organization

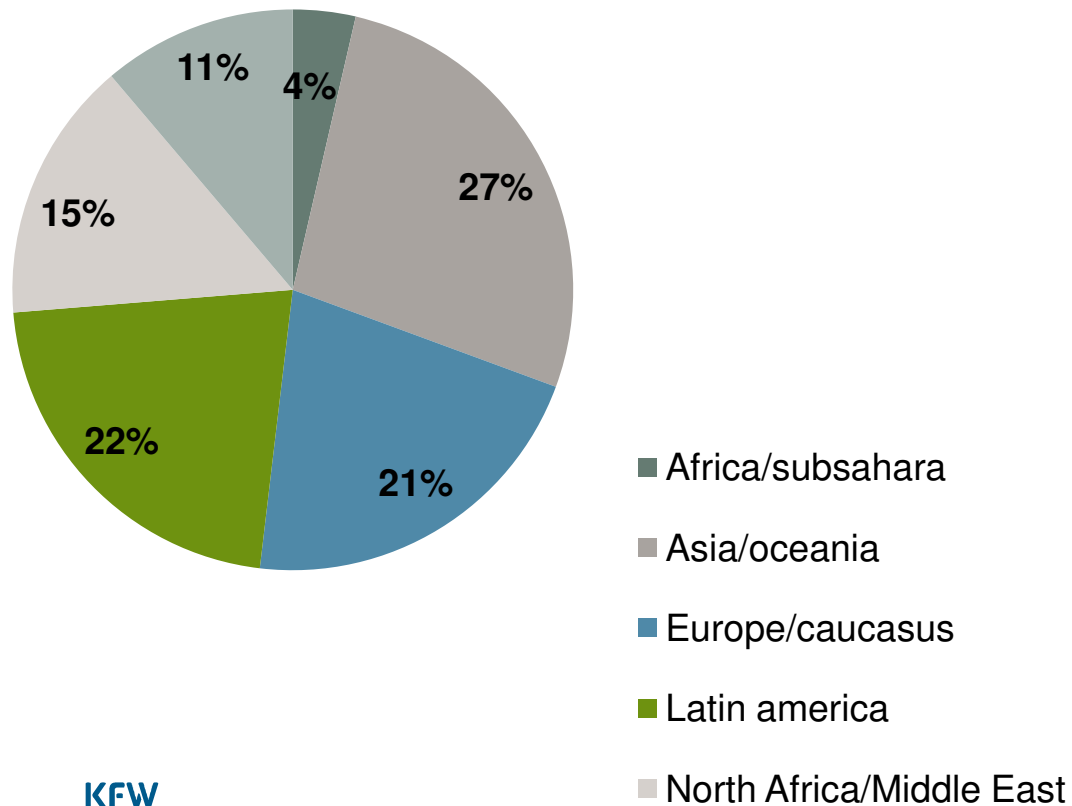
1. Strengthen access to finance
2. Extend risk-based governance
3. Improve banking culture

»» 3. The role of KfW in facilitating Green Banking

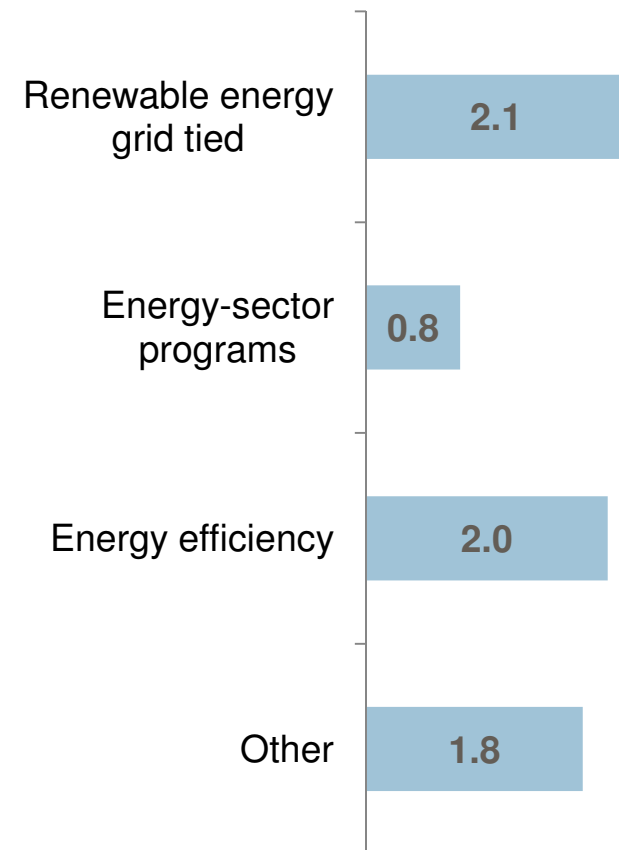
Strengthening access to green finance

KfW's credit lines : 197 credit lines to financing institutions, total volume of 6.6 bn EUR

Regional shares



Volumes by Subsector (bn EUR)



»» 3. The role of KfW in facilitating Green Banking

Strengthening access to green finance

KfW's Investment Funds

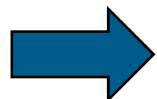
Investment Funds provide **loans to local finance institutions** in developing countries :

Finance institutions provide finance for standardized **green** investments of

- Small and medium enterprises
- Private Households
- Municipalities

Pooling

- bundle refinance for various finance institutions
- Promote on regional or global level
- Pooling of scarce public funds with capital of private investors (PPP) increases overall investments in the sector .



by diversifying / lowering risk & lower costs **increase access to green finance**

»» 3. The role of KfW in facilitating Green Banking

Strengthening access to green finance

Green for Growth Fund, Southeast Europe



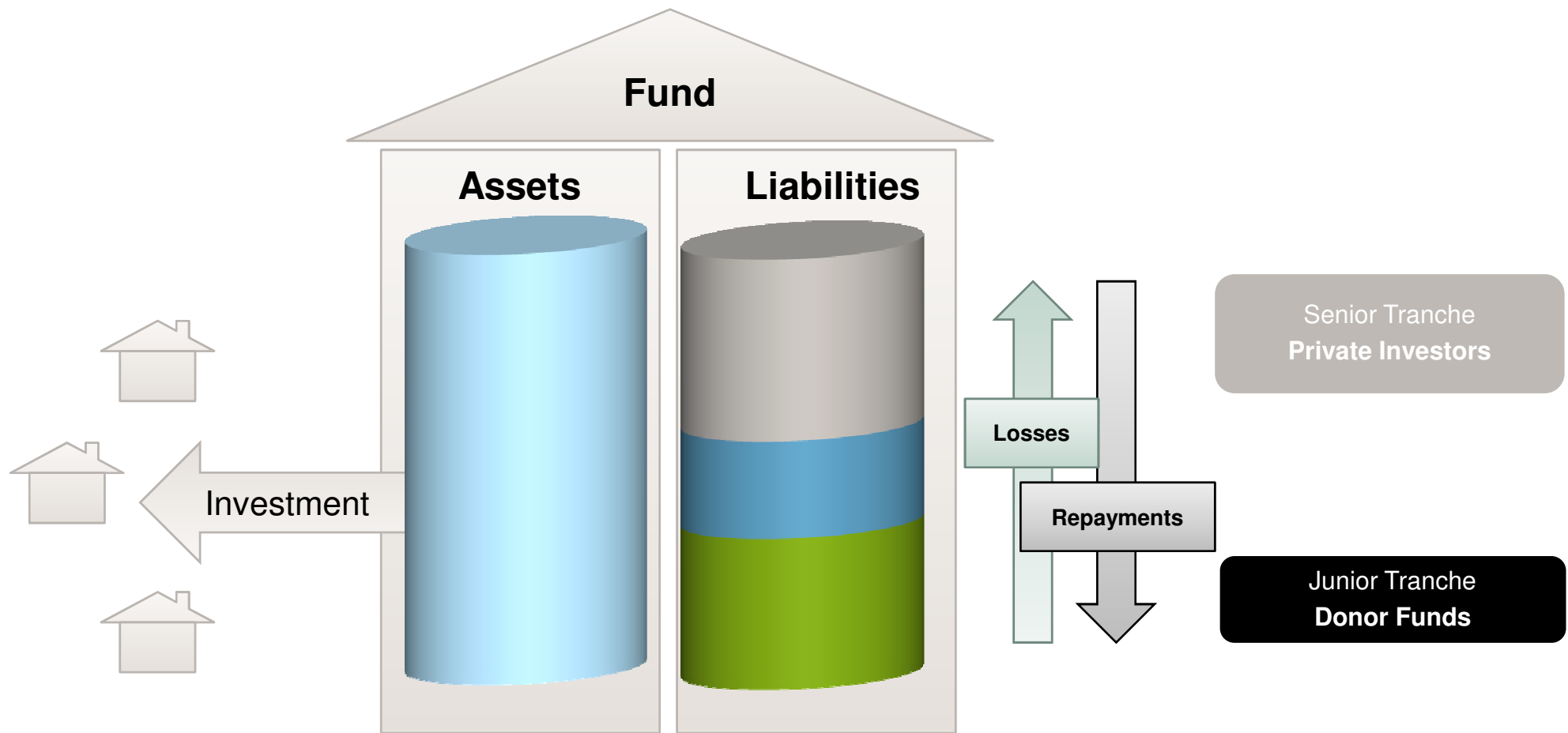
GREEN FOR GROWTH FUND
SOUTHEAST EUROPE
INVESTING IN ENERGY EFFICIENCY
AND RENEWABLE ENERGY

Approach	PPP - Structured fund with a layered risk / return structure;
Goal	Enhance energy efficiency and foster renewable energies.
Sector Region Beneficiaries	<ul style="list-style-type: none">• Broad spectrum of sectors• Southeast Europe Region incl. Turkey and European Neighbourhood Region• Mainly through Financial Institutions: Households, SME Businesses, Municipalities
Track record	<ul style="list-style-type: none">• Established in 2009• EUR 247 million investment portfolio
Investors	<ul style="list-style-type: none">• Public investors: EIB, KfW (initiating shareholders), BMZ, FMO, EBRD, IFC, OeEB, EIF• Private investors: GLS Bank, a German Pension Fund, Sal Oppenheim, Finance in Motion

»» 3. The role of KfW in facilitating Green Banking

Strengthening access to green finance

Mobilizing private capital : „Waterfall structure” with layered-risk

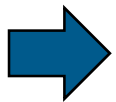


»» 4. Challenges in Greening Banking

“Pushing the string”

The paradox of Green Banking : high financing needs versus weak demand

- **Investors** are hesitant due to lack of awareness and technical know-how, uncertain saving potential (energy efficiency techniques), lack of economic incentives
- **Financial institutions** see lacking business case and high transaction cost
- Key factors: limited demand for the financial product from real economy side
 - Legal and regulatory framework
 - Lack of know-how and awareness among end clients



Extend risk-based governance and change banking culture

»» 4. Challenges in Greening Banking

The role of KfW in supporting

..... risk-based governance and changing banking culture













- **Raising awareness and offering additional incentives :**
 - Capacity building (technical knowledge, information)
 - Explaining value proposition to financial institutions and end clients
 - Lower interest rates for financial institutions and end clients
- **Introducing and fostering risk-based governance :**
 - Requiring and enhancing environmental and social risk management process
 - Setting environmental and social risk standards (end client and financial institution)

as pre-requisites to strengthen access to Green finance BUT

consistency of other policies essential !

»» 3. The role of KfW in facilitating Green Banking

UNEP Inquiry : Key priorities to facilitate green banking

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- 1. Strengthen access to finance ✓
- 2. Extend risk-based governance ✓
- 3. Improve banking culture ✓



»» Thank you very much for your attention

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