

# »» The Role of Development Finance Institutions in Facilitating Green Investments

Climate Policy Initiative - San Giorgio Group

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Bank aus Verantwortung

**KFW**

## »» About KfW Group

- Development bank of Germany
- Founded in 1948 for implementation of the Marshall Plan
- Today, over 5500 employees
- Main tasks:
  - Financing investments in Germany & Europe
  - Providing international project & export finance
  - Supporting developing countries
- USD 91 bn. new commitments in 2012
  - thereof USD 37.8 bn for renewables, energy efficiency & environment
    - thereof USD 4.4 bn in developing countries
- Concessional and commercial loans, mezzanine and equity, guarantees, grants



# »» Green Finance from KfW Group (incl. DEG and IPEX)

Focus: renewables, energy efficiency in buildings & SMEs, transport, waste sector, water, forests



Fossil fuels part of the energy mix in Germany, EU, many developing countries:  
KfW policy & investment criteria based on preference for renewables and efficiency standards

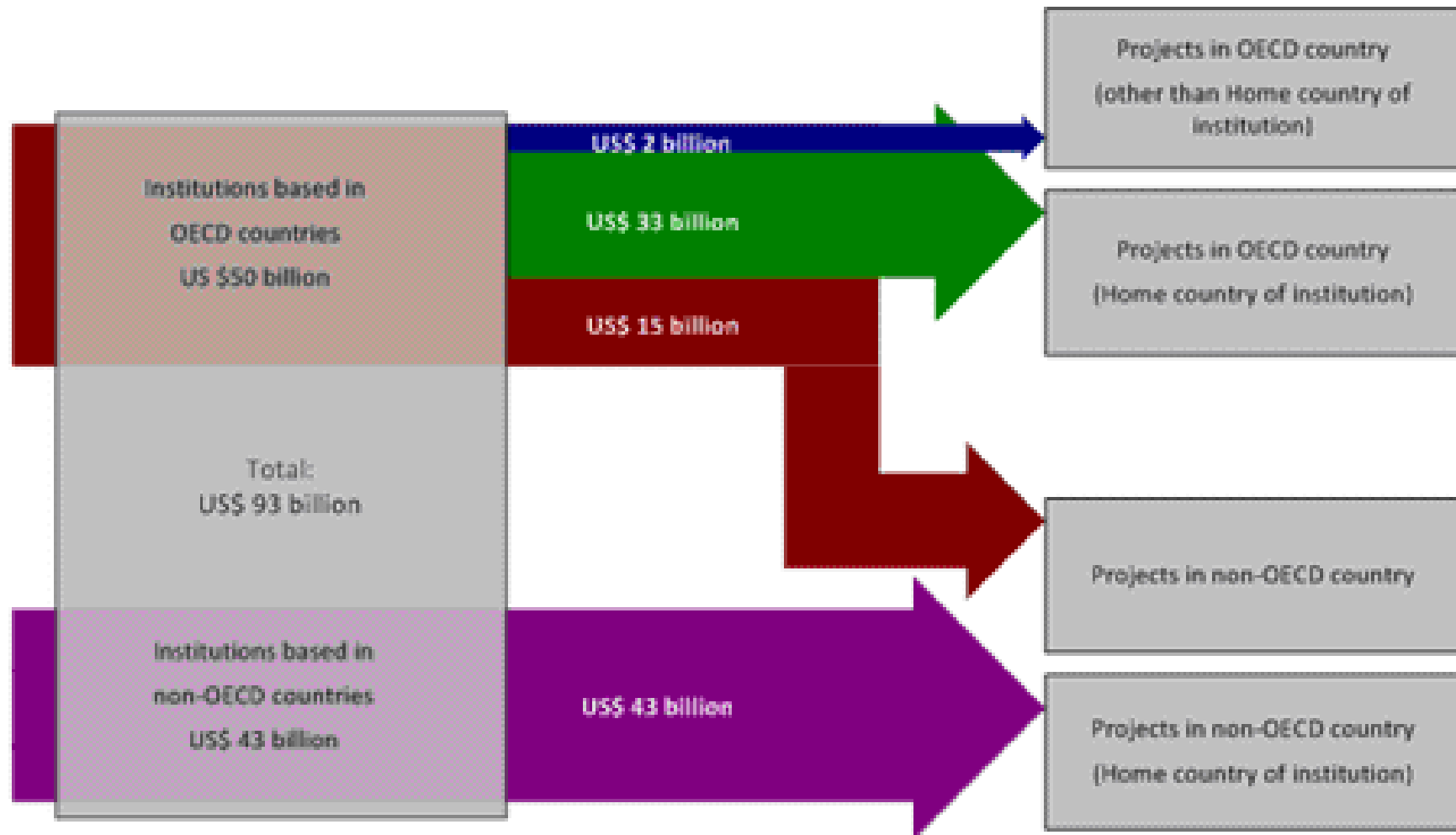
## »» The International Development Finance Club (IDFC)

- › Established in Washington in 2011
- › Network of 20 leading development finance institutions (BOAD recently joined) with mandates for national, sub-regional, regional and international activities around the world.



- › Combined assets of more than USD 2,400 billion
- › Activities in 2013: Green finance mapping, green infrastructure finance, exchange on good practices in private sector mobilization and support of GCF implementation

»» IDFC: National and International Flows of Green Finance 2012  
from \$ 89 bln. in 2011 to 93 bln. to 2012, strengthening of methodologies



## »» Scaling-up the Green Economy; DFI Conference

- › In April 2013 ministers and senior officials from more than a dozen “donor countries” met in Washington to discuss the challenge of scaling up climate investment in developing countries.
- › The meeting launched four parallel initiatives with feedback to ministerial in Copenhagen on October 24<sup>th</sup>

### **Initiative 1: Coordination of MDB**

- › Support of climate-related aspects in the work of MDB
- › Intensified use of instruments to mobilise private sector-finance
- › Lead coordinating role of US-Treasury

### **Initiative 3: Coordination of export credit agencies**

- › Organisation by EKF (ECA of Denmark)
- › High-Level Meeting on 19 & 20 September in Copenhagen

### **Initiative 2: Coordination of DFI**

- › Organisation by and lead coordinating role of KfW and OPIC
- › High-Level Meeting on 4 September in Frankfurt

### **Initiative 4: Innovation to mobilise private investment**

- › Organisation by UK Department of Energy and Climate Change
- › Create a platform for exchange of public actors with private sector and think-tanks

# »» Scaling-up the Green Economy; DFI Conference Frankfurt, 4 September 2013 - Impressions



# »» Scaling-up the Green Economy; DFI Conference - Frankfurt

## Elements of Discussion

<b>Theme 1</b>	<b>Role of DFI and DB in scaling-up the green economy</b> <ul style="list-style-type: none"><li>› division of labour with private sector,</li><li>› risks to take, co-financing of large projects,</li><li>› level of concessionality &amp; technological ambition</li></ul>
<b>Theme 2</b>	<b>Strategies and positions on fossil fuel related emissions</b> <ul style="list-style-type: none"><li>› stakeholder expectations and developing country needs</li><li>› recent policy changes by participants and implications, response strategies</li></ul>
<b>Theme 3</b>	<b>Increasing demand for green finance</b> <ul style="list-style-type: none"><li>› renewable energy tenders and energy efficiency programmes,</li><li>› TA, project preparation/development</li></ul>
<b>Theme 4</b>	<b>Disclosure of portfolio and emission data</b> <ul style="list-style-type: none"><li>› international reporting initiatives,</li><li>› emission reductions vs. carbon footprint,</li><li>› mobilised private investment</li></ul>



## »» Scaling-up the Green Economy; DFI Conference-Frankfurt Agreed Next Steps

<b>Theme 1</b>	› Mapping of the different instruments and focus regions is prepared to create a basis to support a match-making process among DFIs/DBs
<b>Theme 1</b>	› Explore how to set up a coordination mechanism including a referral mechanism
<b>Theme 2</b>	› Preparation of an synopsis of fossil-fuel related policies of relevant DFIs/DBs.
<b>Theme 2</b>	› Explore potential for a statement on common elements of coal policies by a sub-group
<b>Theme 3</b>	› Explore offering providing advice on enhancing the regulatory environment for use of renewable resources in Africa.
<b>Theme 3</b>	› Explore endorsement of OPIC's "Important Features of "Bankable" PPAs" and potential endorsement by interested DFIs/DBs
<b>Theme 4</b>	› Support development of standardized definitions on private sector leverage and exchange of information on mapping approaches

## »» What Development Banks Contribute to a Green Economy?

According to project and country needs and shareholders' investment criteria provide

- › grants
- › equity and mezzanine finance
- › concessional loans (reduced interest rates, extended tenor and grace periods)
- › guarantees
- › technical assistance

in order to

- › cover incremental investment needs, costs or risks
- › reduce political and policy risks as anchor investor
- › facilitate projects by structuring financing packages
- › help to create the enabling environment
- › support an efficient and environmentally and socially sound project implementation

## »» What Development Banks Need to Scale-up a Green Economy

- › Stable and simple investment criteria, aligned with partner/client demands
- › Stable choice of countries, sectors and technologies
- › Flexibility to deploy instruments and adapt loan and guarantee terms
- › Expanding guarantee framework and/or equity base
- › Funding for technical assistance
- › Standardisation of own products and procedures
- › Harmonisation of products and procedures with other DFIs

»» Thank you very much!

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