

# »» Climate Development Finance

JICA Research Institute Side Event „Climate Finance and the Role of  
Development Finance Institutions“

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

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## »» Framing “Climate Finance” in KfW’ Development Work

- › In providing **concessional finance** to the **public sector** in **developing countries** for **mitigation and adaptation** activities development finance institutions are **building on their key competences**

**Tab. 1: Key elements of development and climate finance as implemented by KfW Development Bank**

| Elements              | Development Finance  | Climate Finance  |
|-----------------------|--|--|
| <b>Partner</b>        | Public sector  | Public sector  |
| <b>Destination</b>    | Developing countries, all regions  | Developing countries, all regions  |
| <b>Instruments</b>    | Grants, Loans, Equity, Guarantees  | Grants, Loans, Equity, Guarantees  |
| <b>Sectors</b>        | All sectors (social and economic infrastructure, production sectors, humanitarian aid) | All sectors, except a few  |
| <b>Objective</b>      | Sustainable development<br>+ specific project objectives                               | Low-carbon and climate-resilient<br>sustainable development<br>+ specific project objectives |
| <b>Political fora</b> | UN, OECD DAC, plus sector specific fora  | UNFCCC, OECD DAC   |

- › All KfW Development Bank’s climate finance projects are also development projects (incl. ODA eligibility); working with the same partners in the same sectors, applying the same instruments supporting low-carbon and climate-resilient, sustainable development

## »» Example: EcoCasa Mexico (1/2)

### › Program objective:

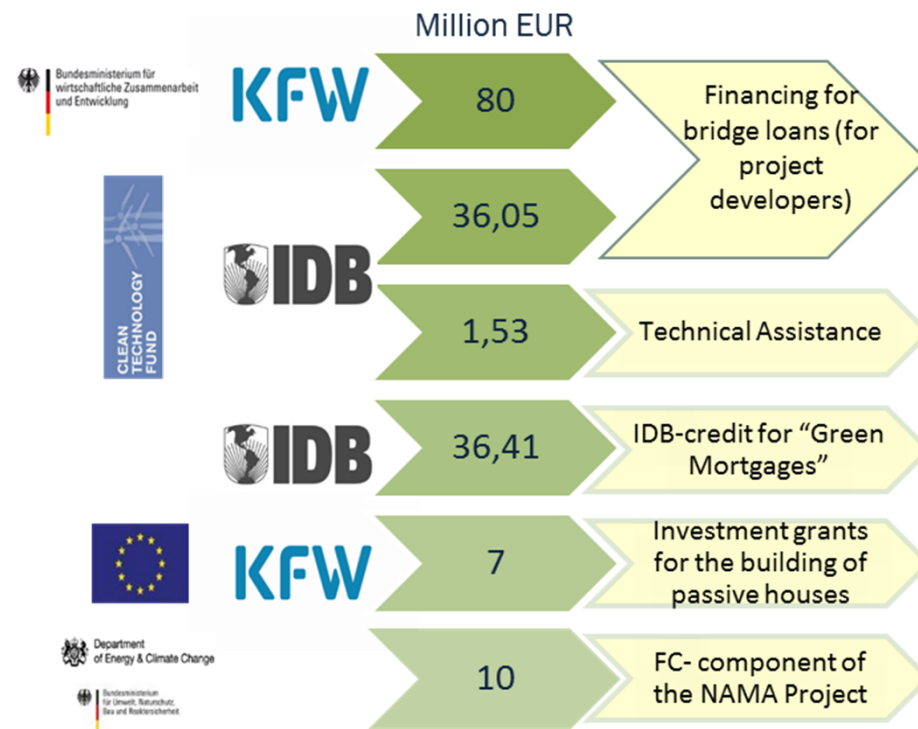
- › 1) Reduction of GCG emissions from the housing sector
- › 2) Improvement of living conditions for low income families

› **Context:** Housing sector represents 17% of total energy usage and 4.9% of CO2 emissions in Mexico

› **Alignment with national strategies/ political support:** Ambitious national mitigation goal and EE target, 2011 NAMA „Sustainable Housing“

› **German financial cooperation in Mexico:** since 2000, Portfolio size EUR 550 Mio., 75% in REN and EE sector

Fig. 1: International Partners



## »» Example: EcoCasa Mexico (2/2)

- › **Structure and instruments:** Sociedad Hipotecaria Federal (SHF) provides concessional loans and TA to project developers which construct energy efficient low-income buildings, Interest advantage compensates for extra cost of eco-technology
- › **Tools and requirements:** free choice of technology but at least 20% less CO<sub>2</sub> emission than standard house, design and tools benefiting from KfW domestic experiences
- › **Direct results:** Construction of up to 27.000 energy-efficient social housing units in 7 years, Saving more than 1 million t CO<sub>2</sub>/eq during life-cycle of the housing units
- › **Long-terms transformative results:**



- › As of August 2014 bridge loans for the construction of 9.745 EcoCasas have been signed, 1.731 have already been built



## »» Challenges and opportunities for effective climate finance

### › Challenges:

- › Cross cutting character of mitigation and adaptation: sector/context particularities
- › Mitigation: comprehensive and harmonized CO2 monitoring, combining CO2 costs logic with innovative approaches and development co-benefits
- › Adaptation: indicators for adaptation results, climate risk analysis on local level
- › Transformation and ambitions vs. practicality and rapid implementation

### › Opportunities:

- › Mainstreaming of climate in development agendas and cooperation
  - › Build on proven and trusted relations and procedures (e.g. fiduciary standards, environmental and social safeguards)
  - › Catalyze additional national and international, public and private finance
  - › Use political momentum, availability of funds and opportunities to cooperate/learn
- **Avoid reinventing the wheel but use opportunity to rethink the existing procedures where appropriate**
- **No final answers, but process of continuous evolution and improvement**

»» Thank you for your attention!

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