Financing sustainable urban mobility

Funding sources and how can they be accessed

Urban Pathways Conference
18. October 2017, Berlin
Sandra Hannusch

Bank aus Verantwortung
New international Dynamic for urban mobility
› International guidelines for sustainable transport

Internationally, the transport sector has gained new momentum

Sustainable Development Goals
› 7 of the 17 SDGs contain transport-related targets

COP 21: Transport a main contributor to environmental pollution and climate change
› responsible for 28% of the global final energy consumption
› second largest polluting sector and fastest growing sector with regard to GHG Emissions

UN HABITAT 2016 – New Urban Agenda:
› urban mobility emphasized as a key sector for sustainable urban development

⇒ Strong mandate to meet ambitious climate and development targets
⇒ New financing sources are available

KFW
Why does KfW support urban mobility?

Our targets for sustainable transport:

- Climate & Environment
- Poverty Reduction / Inclusion
- Health & Safety
- Economic Development

Cities are at the forefront to achieve development goals.

Project Proposals should target impact at least on one of these pillars.
Who are we?
› Biggest national promotional bank in the world

Domestic promotion
We promote Germany
SMEs  Private clients  Municipalities

International financing
We support internationalisation
Export & project finance

Support for climate and environmental protection
KFW
Financing volume (FV): 55.1 billion (2016, EUR)

KFW IPEX-Bank
FV: 16.1 billion

KFW DEG
FV: 7.3 billion and 1.6 billion

Differences in the totals are due to rounding
## KfW principles for providing funding

### The way we work together

<table>
<thead>
<tr>
<th>Guiding principles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ownership</strong></td>
</tr>
<tr>
<td>Reinforcing the partner country’s <strong>responsibility for itself</strong></td>
</tr>
<tr>
<td><strong>Alignment</strong></td>
</tr>
<tr>
<td>Alignment towards the partner country's <strong>national development strategies</strong> and structures</td>
</tr>
<tr>
<td><strong>Shared responsibility</strong></td>
</tr>
<tr>
<td>Supporting partners in the preparation, implementation and operation of projects by providing advisory services</td>
</tr>
<tr>
<td>Assessing the <strong>impact</strong> of projects by means of independent evaluation</td>
</tr>
</tbody>
</table>

### Provision of investment grants and loans, consulting services, HR support measures and policy-based approaches

### Targets

**Sustainable impacts**
How is financing provided – a four-way interaction

Key actors involved when providing financing

- Germany (represented by the German Federal Government)
- Partner country (represented by its government)

General contract/negotiation mandate

Intergovernmental agreement and/or exchange of notes

Loan/financing agreement

On-lending agreement

KfW

Project-executing agency

Project proposal to be supported and suggested by national government
KfW’s approach to sustainable urban mobility

› Criteria when assessing project proposals

› KfW as key institution to provide financing for international partners
› TUMI Initiative: mobilizes significant investments (EUR 1 bn) in urban transport infrastructure
› Supports innovative and transformative approaches
› Key: How financial sustainability can be achieved
What do we finance?

- KfW can provide financing on various levels

**Multi level approach**

1. **Country Level**: Policy Based Lending (e.g. Peru or financing NDCs)

2. **Intermediaries**: Cooperation with national and international intermediaries – financial, non-profit, public etc. (e.g. CAF)

3. **Municipal Level**: Various projects (e.g. investments in cities e.g. trams, BRT, bicycle lanes, TOD)

- Promotional loans, subsidized loans and grants - depending on country risk and type of investment
- Professional preparation and realization of bankable projects with subsequent link to finance
Urban mobility largest sub-sector in KfW transport portfolio

What and where we finance transport

- Current transport portfolio about EUR 2 bn and growing strongly
- Target increased regional diversification

Source: FZ-Portfolio – in total: 2012-2016 Transport, April 2017
KfW Project Examples in the Transport Sector

Urban Transport/ Local Public Transport

- High-Tech Traffic Management (China)
- Transit Oriented Development, TOD (Colombia)
- Urban and Suburban Rails (China, Latin America, Vietnam)
- BRT (India) and Non-Motorised Transport (South Africa)

Rural Transport

- Rural Roads (Laos, Mozambique)
- River Transport (China)
- Bridge construction and rehabilitation (Afghanistan)

Long-Distance Transport / Logistics

- Airports and Training of Air Traffic Control Training (Afghanistan)
- Long-distance Rails (Kenya)
- Ports and Container terminals (Vietnam)
- Policy Based Lending (Indonesia)
Summary for financing urban mobility

Keeping in mind when proposing urban mobility projects

› Urban Mobility increasing significance on international agenda – new opportunities to provide financing

› Development Bank focus on integrated, inclusive and climate friendly projects – by not forgetting financial sustainability

› Financing available on various levels – bottleneck is often lack good project proposals

› Big mobility projects often involve various banks and partners – not always easy on how to select

› Get support of national government

› Involve banks at an very early stage when preparing proposal – KfW also provides financial assistance for project preparation
Thank you for your attention!

Sandra Hannusch
Palmengartenstraße 5 - 9
60325 Frankfurt am Main
Sandra.Hannusch@kfw.de
Back-up slides
Organisation of German bilateral development cooperation

**Political framework:** German Federal Government (BMZ and other government departments)
Definition of the goals, guidelines, concepts and long-term strategies of German development cooperation

### Implementation of Financial and Technical Cooperation projects

<table>
<thead>
<tr>
<th>Financial Cooperation</th>
<th>Technical Cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KfW Development Bank</strong></td>
<td><strong>GIZ</strong></td>
</tr>
<tr>
<td><strong>Task</strong></td>
<td><strong>Task</strong></td>
</tr>
<tr>
<td>Promoting public investment and reform processes</td>
<td>Boosting the performance capacity of people, organisations and societies</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td><strong>Services</strong></td>
</tr>
<tr>
<td>› Providing grants as well as concessionary and market-based loans</td>
<td>› Advisory and material support</td>
</tr>
<tr>
<td>› Financing supporting consulting services</td>
<td>› Assignment of specialists</td>
</tr>
</tbody>
</table>

› Instruments designed to complement each other
› Close cooperation at institutional, specialist and operating levels
› Shared implementation of joint DC programmes on behalf of the German Federal Government
Sources of funds and financing instruments in 2016

Budget funds
- Grants, delegated funds and budget fund loans: EUR 2,148 million
- Delegated funds: EUR 1,940 million, EUR 239 million

KfW funds
- KfW Development Bank: EUR 5,112 million
- FC development loans (mainly loans with interest subsidies): EUR 1,776 million
- FC promotional loans (loans using own funds): EUR 3,366 million

Differences in the totals are due to rounding
What we finance

<table>
<thead>
<tr>
<th>Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>We finance long-term investment in developing countries and emerging economies with a focus on infrastructure, social development/governance, development of financial systems, rural development/conservation of natural resources, peace and security</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Qualified consulting services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation and implementation of projects</td>
</tr>
</tbody>
</table>

| HR support measures                                                       |
|                                                                            |
| Advice and basic/advanced training for the targeted support of the project-executing agency |

<table>
<thead>
<tr>
<th>Programme-based approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support of economic, sector-specific &amp; institutional reforms</td>
</tr>
</tbody>
</table>
Fast and Climate-Friendly through the City
Suburban–Railway Tunis

Challenges
› Rising traffic and environmental burdens in the metropolitan area of Tunis

Approach
› Suburban-railway complementary to the existing „Métro Leger“ to increase capacities of public transport

Impacts
› Efficient public transport
› Reducing environmental burdens
› Reducing health risks
› Promoting and securing employment
› Fast, safe and climate-friendly access to employment, markets and social services

Information
› Rail construction of the first two lines
› Construction of a tunnel (length 266 m) and 12 train stations

Volume: EUR 47 m.

Donors:
EIB, AFD, KfW

Volume: EUR 47 m.
## Healthy through the City

**Green Goal – Program Non-Motorised Transport (NMT)**

### Challenges
- Rising fuel prices make public transport unaffordable for the poorest population
- Expansion of a fit NMT-infrastructure, complementary with public transport

### Approach
- Non-motorised Transport (NMT) as an alternative to fuel-based transport modes

### Impacts
- Better access to social services and employment
- Improved living-conditions for the poor
- Contribution to global climate change mitigation

### Information
- Construction of footpaths and bicycle lanes
- Measures for road safety and traffic calming
- Construction of parking facilities for bicycles
- Promotion of local bicycle rent-places

### Volume:
EUR 10 m.

### Donors:
KfW
Intelligent through the City
Traffic Control System Huainan

Challenges
› Inefficient urban transport in Huainan
› Rising congestion

Approach
› Intelligent cities by intelligent transport management

Impacts
› Better traffic conditions
› Less accidents and air pollution
› Promotion of public transport
› Improved livability and economic prosperity

Information
› Installing a management system for traffic surveillance
› Prioritising public transport in traffic
› Monitoring environmental pollution

Volume: EUR 15 m.
Donor: KfW
TUMI – Transformative Urban Mobility Initiative

› BMZ Approach to Sustainable Urban Transport

› New initiative launched at UNHABITAT III

› Objectives:
  1. Accessible transport systems for economic growth and prosperity
  2. Social inclusion for urban dwellers
  3. Healthy and clean cities as liveable places
  4. Climate-sensitive urban transport development

› How to do it?
  › ENABLE 1,000 urban leaders, decision-makers, planners and students to plan and implement sustainable mobility concepts.
  › MOBILISE investments to build, modernise and augment sustainable urban mobility infrastructure
  › SUPPORT innovative solutions with potential for replication and upscaling through a number of pilot activities across the globe