

Comments of KfW Entwicklungsbank on World Bank Group Environment Strategy – Concept Note

- **KfW Competence Centre for Environment and Sustainability**
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- The overall goal – not only of the World Bank – to contribute to a sustainable development in client countries is more important than ever before.
- Having said this, the main objectives of the existing World Bank Environment Strategy are indeed still valid for the new strategy as they include all three dimensions of sustainability:
 - improving the quality of life,
 - improving the quality of growth,
 - protecting the quality of the regional and global commons.

- The two-track approach for the formulation of the new strategy is welcome as it
 - can raise effectiveness of WBG's efforts through a better knowledge of external and internal clients' demand;
 - can enhance both, effectiveness and efficiency of WBG's efforts by strengthening cross-cutting issues.
- The two-track approach will shape a very far reaching new Environment Strategy for the WBG. However, the new strategy should also reflect the division of labor with other multilateral and bilateral development agencies:
 - comparative advantages of WBG,
 - areas of mutual benefits through co-operation,
 - areas to be left to other agencies.

- First track's assessment of clients' demand (#14) welcome:
 - external clients: it will be interesting to compare the results with priority sectors of German development co-operation;
 - internal clients (WBG experts): crucial, too, as the objectives have to be targeted by adequate means (and here regional and sectoral expertise is indispensable);
 - an evaluation of the influence of external client differentiation (#18) should be enabled by the design of the assessment.

- The concept note mentions support of clients to strengthen their environmental governance processes (#19) and Equator Principles for financial institutions in developing countries (#22).
- In financial sector projects (credit lines), multilateral and bilateral donors often support financial institutions in client countries to enhance their structures and procedures for environmental and social project appraisal.
 - The new Environment Strategy should explicitly strengthen the important role of financial sector projects in capacity building with respect to environmental and social project appraisal.

Second Track: Operational policies, safeguards, performance standards, and country systems



- Harmonization of safeguard policies and performance standards (#20) is welcome. Beyond possible reliance on “country systems” of client countries, the process should also reflect:
 - different priorities and different bargaining positions & strengths of governmental and private partners in client countries;
 - resulting differences in the donors’ bargaining power to shape the projects’ design with respect to environmental and social effects and risks.
- The new Environment Strategy should also consider mutual reliance or acceptance of environmental and social risk appraisal of other multilateral and bilateral development agencies.

- Concept Note explicitly mentions collaboration with other donors in strategy preparation for innovative finance approaches (#21):
 - WBG could approach KfW's Competence Team "Financial Sector" for an exchange of experience (e.g. microfinance, local currency-based services, deposit guarantee systems, securitization).
- Innovative finance could deal with the important issue of protection of biodiversity, too:
 - conservation funds (Trust funds) that focus on financial security in the long-term have proven successful in the past;
 - private payments for Ecosystem Services can be used that compensate for residual impacts of projects on ecosystems;
 - payments for carbon sequestration for instance via tradable certificates can be used for reduced emissions from deforestation.

- KfW is a leading German company in reducing energy and water consumption from existing or new built administrative buildings, e.g.:
 - upflow ventilation through an atrium at night,
 - large wood pellet system, heating output of 460 kW,
 - vacuum drainage, water treatment and rainwater collection,
 - geothermal pre-cooling / warming of air,
 - Green IT: virtualization of servers.
- WBG's experts could share our experience, for example through a site visit in Frankfurt and Cologne.

Contact



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Thank you for your attention!

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