

# »» Experience with establishing donor-supported credit lines in selected EaP countries

Expert Meeting in June 2014 at OECD, Paris, France

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Bank aus Verantwortung

**KFW**



## »» Climate- and Environment-related finance at KfW Some figures for introduction

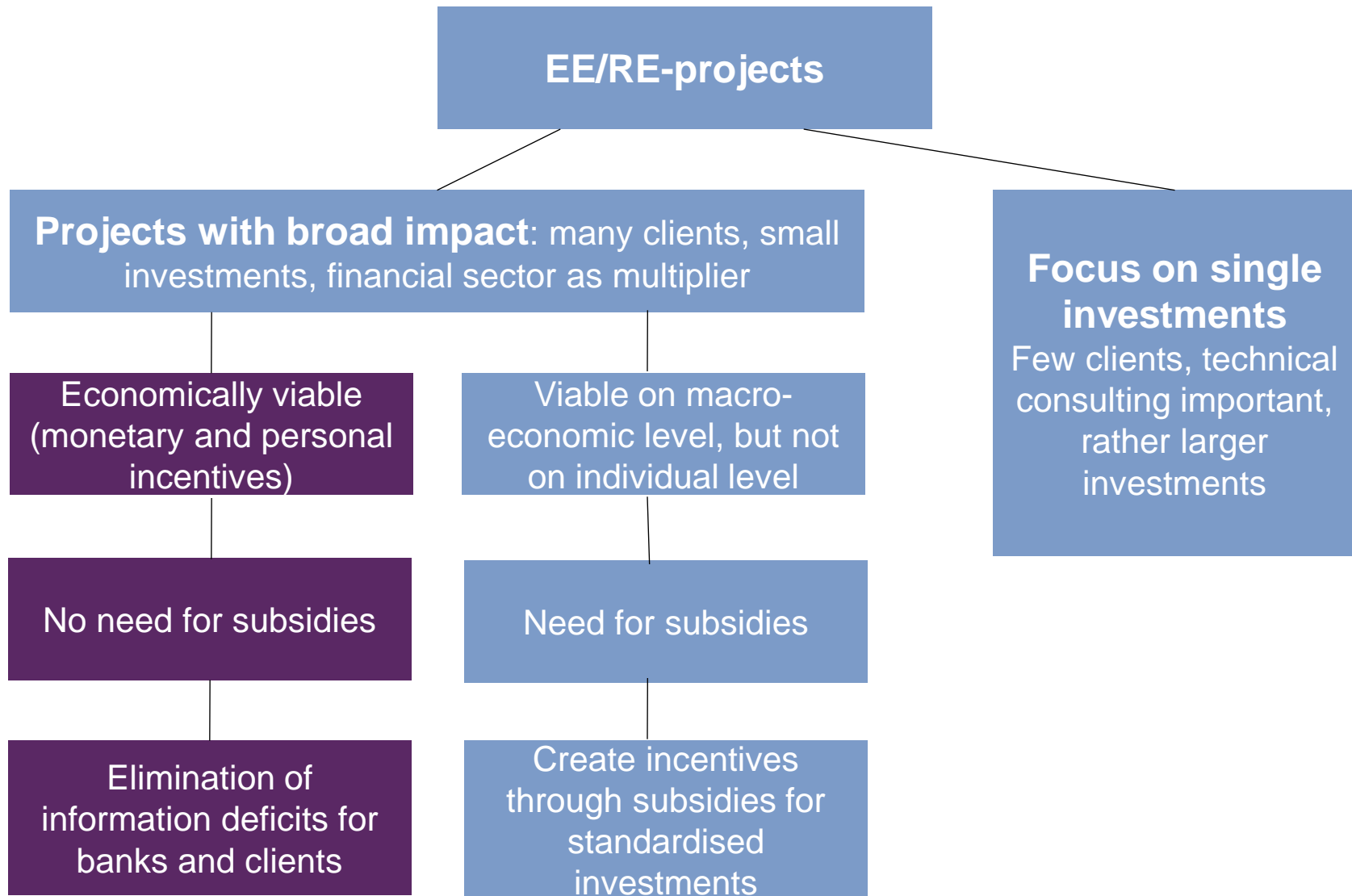
- › KfW Group started climate and environment-related programmes in Germany in 1990, KfW Development Bank started in 2008;
- › KfW Development Bank is a leading international climate and environmental bank:
- › In 2013, around 50% of total new commitments of KfW Development bank for climate and environment-related finance
- › 30% for energy efficiency and renewable energy projects;
- › Ongoing portfolio in Eastern Europe, Caucasus and Central Asia: EUR 1,947 m;
- › Outstanding EE/RE-portfolio in ENR: EUR 105.5 m, including projects not implemented through the financial sector (not including participation in the GGF).



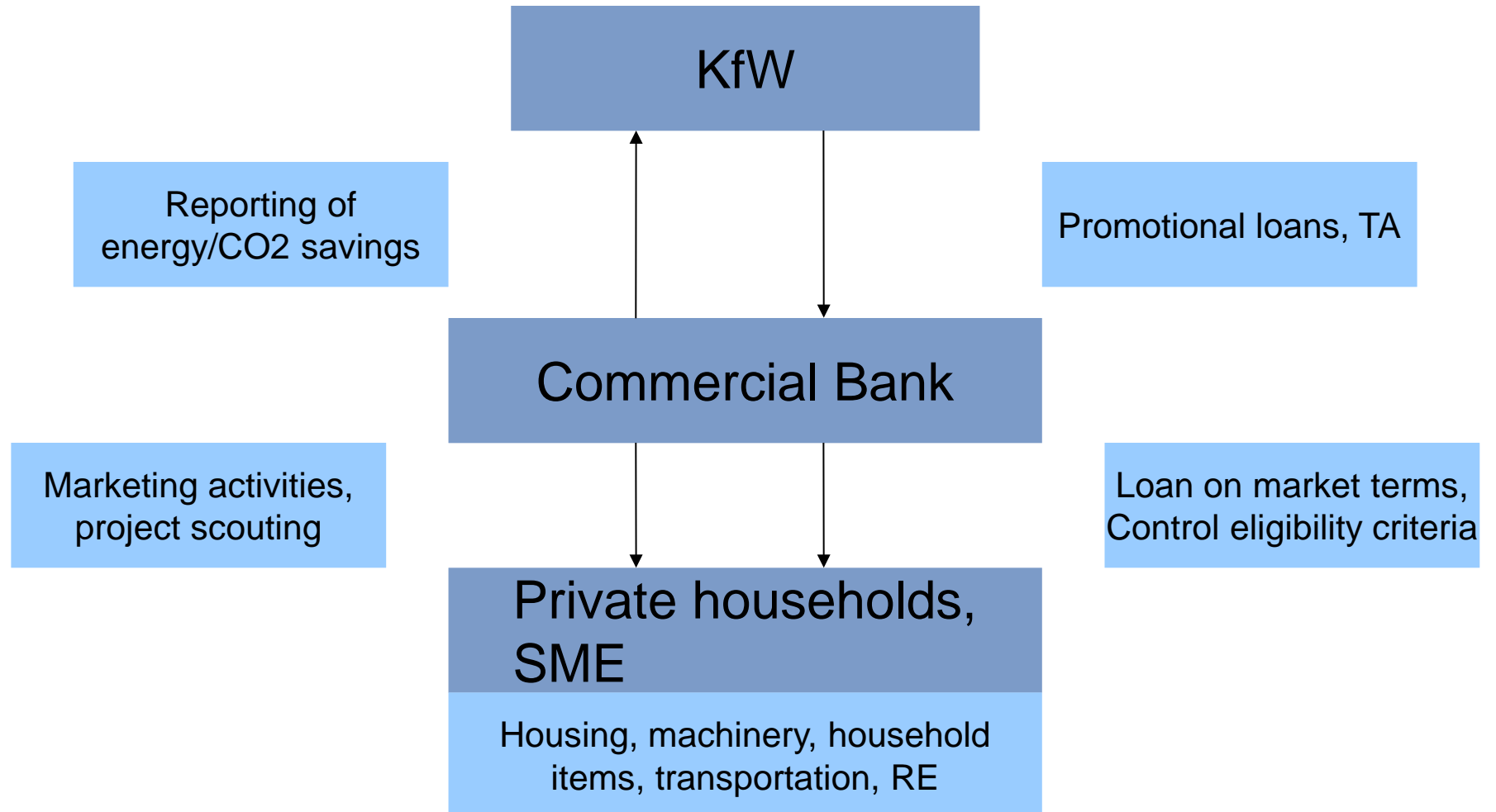
## »» **KfW's definition of EE/RE- credit lines through the financial sector**

- › Financial sector projects aimed at introducing a new product on the level of the banks in order to create additional investments of clients in energy efficient projects or renewable energy projects;
- › Overcome barriers for investments: eliminate information deficits on the level of banks and end clients

## »» Classification of EE/RE-Financing



## »» KfW's approach



## »» KfW's approach

- › Focus on individually viable projects, no subsidies on level of end clients;
- › Partner bank as information distributor;
- › Eligible sub-project: causes a decrease in per unit energy consumption of at least 20%, or CO2 emission reduction of at least 20%;
- › Selection of investments through positive lists, monitoring through tools;
- › Credit line accompanied by consulting services for the development of loan products, positive lists and tools for calculation of savings, portfolio screening, marketing activities, training for loan officers.

## »» Some facts

- › Banks have financed mainly SME loans, however, funds often used for investments related to private homes;
- › 80% of investments in the housing sector;
- › Savings achieved are reported to be often more than 20%, however,
- › Quality of data on savings needs to be improved:
  - › Wrong data put into the tool;
  - › Wrong categorisation of investments;
  - › Methodological shortcomings of tools and lack of regular updates;
- › Results on savings from one credit line cannot be applied to another credit line;
- › No correlation between loan amount and savings achieved.

## »» Conclusions from implemented projects

- › So far, KfW has implemented EE/RE-projects through the financial sector in only few of the EaP countries;
- › KfW's approach is mainly to focus on individually viable mass projects which should not require subsidies;
- › Potential for improvement on project level: monitoring, differentiation betw. banks' products, training for banks in project financing
- › Framework conditions in a country, strategy of the banks, approach of technical consultants and requirements from the financiers have a big influence on the implementation of a project;
- › Success where banks properly included the product into their marketing strategy;
- › However, the challenge remains to finance projects viable on a macro economic level



## »» Conclusions from not implemented projects and risk considerations

What framework conditions related to potential government actions are necessary for/conducive to private investments in green projects?

<b>RE:</b> Feed-in tariffs, licences, concessions	<b>EE:</b> Building codes, standards, certification schemes
<b>RE/EE</b> Awareness campaigns, Educational plans, Technical know-how (audits,...) Show case projects Energy tariffs Subsidies? Tbd.	

## »» Contact

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»» Thank you for your attention!

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