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Shaping urbanisation

Sustainable strategies for growing cities

“We need compact and well-planned cities”

The world has turned into a city: never before have so many people lived in cities as they do today – and this figure is expected to double over the next 35 years. In this interview Roland Siller, Member of the Management Committee of KfW Development Bank, explains why several of the major global challenges can only be overcome in cities around the globe and highlights KfW’s contribution to meeting them.

In KfW you are responsible for Asia, a region in which cities are growing particularly strongly and rapidly. What are your impressions from travelling there in recent years?

What strikes me most is that much of what happens in cities is unplanned. This creates massive transport problems and high economic losses, leads to slums and social inequality. If cities develop in a totally unplanned way, they lose a lot of their potential.

Today 3.5 billion people live in cities. By mid-century this figure will double to seven billion. How can the world’s cities take in so

many people, if so much already needs to be done?

This effectively represents a major challenge. Growth forecasts are enormous and historically unique. In cities, however, risks and opportunities are closely interrelated. Densely populated areas can operate more economically, as many services can be provided at lower costs than in rural areas. They still offer a lot of potential.

What must happen so that cities can actually seize these opportunities?

Above all, they need to be intelligently managed and require good govern-



Roland Siller
Member of the Management Committee of KfW Development Bank

ance. To ensure that the quality and leadership of municipal administration improves, cities need to be given greater decision-making power and larger budgets. In my view, it is extremely important to make cities stronger so that they can prepare for and accompany investments more effectively.

Which investments are particularly important in your opinion?

Cities definitely have to set priorities. These priorities however vary from city to city. One thing is clear: cities must be productive and they need to draw on their economic strengths and competitive advantages. This is the only way to create jobs and perspectives. It is also the only way for municipalities to earn their own money and have taxes flow into their budgets. In addition to the public sector, the private sector also has to be more heavily involved. Money and expertise are bottleneck factors for investments in infrastructure such as roads and water supplies, as well

URBAN DEVELOPMENT AS A POLICY GOAL

The Federal Republic of Germany views urban development as a decisive key to achieving the global climate protection and sustainability goals of the 2030 Agenda. It is therefore a significant field of action for German development policy. “Cities worth living in offer development prospects for all of this planet’s inhabitants, whether rich or poor. It is a question of creating living space that is fit for human beings with better city air, efficient and clean traffic systems, provision of water and energy as well as waste and sewage disposal. Such cities are places of great innovative strength, economic and social appeal,” according to Federal Minister for Economic Cooperation and Development, Dr Gerd Müller.

www.bmz.de/en/what_we_do/issues/stadtentwicklung

as in social services e.g. schools and hospitals.

What role does traffic play in the future of cities?

A crucial role. At present private transport is growing at an undamped rate, while public transport is largely under-funded. This has a strong negative impact on cities, which are losing their economic power and attractiveness. Investments made in the right places can nevertheless have an enormous impact, this does not necessarily have to entail building expensive underground transportation systems. Sometimes a bus lane, a cycle path or a walkway is enough. It is important to coordinate modes of public transport – a process that will be facilitated by digitalisation.

So should traffic be the number one topic for cities?

Traffic is a huge issue, but it is not the only one. Other services are also in short supply in many cities, including waste disposal, water, and energy – tens of millions of urban dwellers worldwide have no access to such services. Green areas, playgrounds and sports facilities, cultural offerings, education and social services are also important, because they make cities worth living in. Municipalities must take action here, but it also needs to be planned.

Cities also act as a driver of social progress. Do you agree with this statement?

Yes, absolutely. In cities in particular it is easier to involve the population in decision making – once again because the areas in question are smaller. In this respect cities can become an instrument of democratisation, and of equality between men and women and active participation of the poor.



Traders benefit from improved market access in Khulna.

Has the significance of cities already been recognised clearly enough?

Awareness is growing, but is still not great enough in view of their importance: many global challenges will be played out in cities. This applies to climate change, as well as to social inequality. We will only achieve the international sustainability goals jointly with and within the cities. That is why we need to considerably increase our efforts. The countryside also stands to gain in the end, because such efforts will free up more land for agriculture, which is needed to ensure that the growing world population has enough to eat.

What can KfW contribute?

We have considerably stepped up our commitment in recent years and now, on behalf of the German Federal Government, pledge over half of our funds to projects in cities. And we want to do even more in the future, because KfW can contribute its long-term expertise in many areas that are particularly important to cities, including transport, resource efficiency, boosting small and medium-sized companies, budgets, tariffs, and transparency. The topic of climate resilience will also gain importance in the future. This is another area in which cities are often heavily

impacted due to their proximity to coasts or river deltas.

How does KfW offer support?

We always look at urban development under four aspects: cities should be productive, efficient, resilient, and worth living in. For us, it is always a question of not only economic but also social aspects. In Khulna, Bangladesh, KfW has funded a project on behalf of the German Federal Government, whereby an embankment and a larger street not only protect a slum with 70,000 inhabitants from flooding, but have also created access to a regional market via a new transport route. This kind of project is ideal for us because it has multiple effects.

Can humanity really succeed in mastering urbanisation and averting the potential threats created by urban centres?

I am confident about this because the issue is increasingly attracting the attention of policymakers. Coupled with an unbelievable innovative strength, which is constantly providing new solutions via digitalisation, we can achieve a great deal in cities in the years ahead. But naturally this is a race against the clock.

This interview was conducted by Friederike Bauer.

Beira: a barrage protects the city from flooding

The Mozambique harbour town of Beira is suffering from the consequences of climate change. Flooding is increasingly frequent whenever there are heavy rains, and at high tide the Indian Ocean pushes seawater into the Chiveve River, which flows through the middle of the city. Thereby the settlements and markets on the river banks get flooded. With the assistance of KfW Development Bank, however, a barrage is now being built that can be closed when spring tides and heavy rains occur at the same time.

Beira is an important port on the coast of Mozambique. Large areas of the town with 500,000 inhabitants are currently barely above sea level. The course of the river, which flows through the city, has long been neglected. A bridge collapsed in the estuary area decades ago. Its ruins blocked the path to the sea, the river silted up visibly and was no longer able to drain the hinterland. The resulting alluvial deposits became a dumping ground for waste, while the pools of water promoted the proliferation of mosquitos that carry malaria. At particularly high tides accompanied by heavy rains, the Chiveve River burst its banks and flooded large areas of the city and those settlements occupied by its poorest inhabitants.

All that is changing now: a barrage will protect Beira from flooding in the future, a practice that is frequently applied on the coast of northern Germany, too. KfW has financed the construction of the barrage on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) since 2015 with a financial contribution of EUR 13 million. The gates of the barrage can be manually closed in a timely manner when heavy rainfall inland or particularly high tides are



The barrage will prevent flooding in the city centre of Beira.

reported. The Indian Ocean on the coast of Mozambique has a tidal range of up to seven meters. Thanks to climate change, both rainfall and periods of drought in the Southern African country are on the rise, making it increasingly important and urgent to protect Beira from the elements.

This measure is embedded in a comprehensive plan for the renaturation and improvement of the river's course in urban areas: the Chiveve River, which resembled more of a narrow ditch than a river in recent years, will be dredged, as will the port of Beira. This will benefit both fishermen and traders.

As part of the renaturation of the river course, a local non-governmental organisation in cooperation with KfW will take over reforestation with mangroves along the river banks.

“The river will be able to breathe freely again,” explains Pascale Magin, who is responsible for Mozambique at KfW Development Bank. Fixed stands will be set up for the market alongside the river, replacing the formerly makeshift constructions. Parks will be created along the river banks and a waste disposal concept will be developed together with the municipality of Beira. This should make uncontrolled accumulations of rubbish a thing of the past.

Flooding mainly used to affect very poor areas of the city. The construction of the barrage and the betterment of the river course will particularly benefit the poorer segments of the population and the economic development of the city centre.

Charlotte Schmitz

A ray of hope for commuters in Tunis

Five suburban railway lines will be able to transport 350,000 people on a daily basis.

An economic upturn and population growth in recent years have pushed Tunisia's infrastructure to its limits. Above all, traffic in Tunis, a metropolis of two million people, has grown significantly. Commuters who travel by car can expect long traffic jams, and the public transport network has also not been sufficiently developed.

A suburban railway system in the Tunisian capital that improves connections between disadvantaged suburbs and the city centre will ease the situation. Unlike buses and trams, the suburban railway will travel on its own line and will therefore be independent from street traffic. Another advantage is that suburban trains are environmentally-friendly.

The project will be carried out by the public company Société du Réseau Ferroviaire Rapide de Tunis (RFR), which was founded specifically for this purpose. KfW Development Bank is involved in financing the construction of the suburban railway track on behalf of the German Federal Government. Other donors include the European Investment Bank, the French development bank



Public transport in Tunis is reaching its limits.

Agence Française de Développement (AFD), and the European Union. For the first two tracks that are currently under construction and slated to be finished by the end of 2018, the share of funding provided by Germany via KfW amounts to EUR 47 million.

Overall, there are plans for five suburban railways with a total length of 85 kilometres. They will be capable of transporting 350,000 persons per day and thus prevent major increases in car traffic. According to forecasts, this could save around 50,000 tonnes of carbon dioxide per year.

KfW also supports the RFR in managing interventions related to construction in a way that is as environmentally-friendly and socially acceptable as possible. "It is important for us that there is a serious exchange with the people affected," explains Jens von Roda-Pulkowski, the manager leading this project at KfW. Citizen participation, compensation, and public feedback should ensure a high level of acceptance for this large project.

Katja Dombrowski

SUSTAINABLY DEVELOPING CITIES: MOBILITY FOR ALL

The international community intends to formulate a global urbanisation strategy for the next 20 years at the Habitat III Conference in October in the Ecuadorian capital of Quito. The Federal Ministry for Economic Cooperation and Development (BMZ) supports the German contribution implementing this "new urban agenda". In this context the Minister, Dr Gerd Müller, announced a new mobility initiative to be launched by the BMZ that is designed to provide incentives for a global traffic turnaround. The focus of the initiative is socially acceptable, innovative, and climate-friendly development in traffic in both developing and industrialising countries. The aim is to design resource-efficient traffic flows, to improve the interaction of various modes of motorised and non-motorised transport, and to achieve safe and affordable mobility for everybody. To this end, Financial Cooperation is boosting its worldwide commitment in the field of sustainable and inclusive urban mobility and has pledged a total of EUR 1 billion to this goal for 2017 alone.

KfW offers Indian municipalities innovative financing solutions

Empty pockets – a daily problem for Indian municipalities too. Revenues from taxes and fees are low. The financial market does not grant municipalities sufficient credit due to their low credit-worthiness. Here, KfW has taken an innovative approach: it supports a fund for smaller cities and local authorities in the federal state of Tamil Nadu, which enables the financing of water, sewage, and waste disposal systems as well as road construction.

A ten-hectare temple complex looms over the city of Tiruvannamalai in the southern Indian state of Tamil Nadu. As great as the cultural references of the past may be, their present is equally problematic: as in many of India's cities, the water supply has proven inadequate to date. Sometimes water supply is limited to three hours per day. Waste water disposal is also inadequate. But now the city – one of the smaller municipalities in India with around 145,000 inhabitants – has taken out a loan of EUR 6 million to renew its infrastruc-

ture. To this end, it is supported by the Tamil Nadu Urban Development Fund (TNUDF).

KfW has financed the fund since 2008 on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ), contributing EUR 260 million to date. Its fund manager takes two paths: firstly, municipalities are provided with direct loans and grants, and secondly, a financing vehicle enables them to issue bonds on the capital market themselves. The BMZ funds serve as credit enhancement for the bonds issued, which means that small and

medium-sized local authorities can raise their own funds on the capital market. "Our partner is a pioneer in Indian municipality funding and raises funds for municipalities in an innovative way for the purpose of improving infrastructure and living conditions," emphasizes KfW project manager Morten Koch. At the same time, local authorities can gain initial experience in the capital market and be supported in implementing their own construction projects. The challenge for fund managers is also to raise the profile of bundled municipal bonds to establish a still young segment on the capital market in India.

The fund was set up for the federal state of Tamil Nadu because around half of its inhabitants already live in cities. As in many countries in the world, urbanisation is also increasing at a rapid pace. The TNUDF has approved over 20 projects to date, which have benefited over a quarter of a million people. In the city of Tiruvannamalai alone 13,500 households benefit from improved water supplies. This serves not only to improve quality of life, but also to reduce deaths caused by diarrhoea and other illnesses, especially those affecting children.

Charlotte Schmitz



Children are less likely to suffer from diarrhoea if their drinking water is clean.

Greener, more affordable apartment construction in Mexico

Affordable, energy-efficient construction is an increasingly important issue in Mexico and is part of the government's agenda. Here, DEG is involved through its cooperation with a medium-sized commercial developer.

As in many emerging markets and developing countries, Mexico also has a very high demand for affordable housing, with estimates indicating a deficit of almost nine million homes. Energy consumption in the up-and-coming industrialising country has also been on the rise for a long time. Private households account for around 20% of this consumption. Energy-efficient residential construction is a key instrument for limiting energy consumption and thus protecting the environment.

This is why DEG has granted the commercial developer Promotora de Viviendas Integrales, S.A. de C.V., (Vinte) from the greater area of Mexico City a long-term loan in local currency that is worth around EUR 17 million. The experienced company, Vinte, has already built over 23,000 houses and apartments and therefore has sufficient capital to be able to plan for the long term. In the years ahead Vinte aims to build around 2,000 houses that comply with high environmental standards, primarily for people on low and medium-level incomes, who can obtain low-interest loans from national development banks to purchase houses.

The CO₂ emissions of such dwellings can be cut by at least 20% compared to houses built using conventional construction methods. The energy measures deployed include so-



Greener living in Mexico

lar energy systems for heating water as well as water-saving toilets and showers. Savings in electricity costs for new owners are a particularly important issue.

A total of 80% of rainwater in housing developments is channelled into the groundwater supply and waste disposal is regulated. Moreover, 35% of the areas are allocated to public use as parks, playgrounds, and schools. DEG has also co-financed an accompanying measure to develop a resource-conserving construction material composed of rice husks, among other items. In an initial phase, this

construction material has already proven itself in the construction of prototypes. Its use in building a larger number of houses is now being tested.

The Mexican commercial developer Vinte has developed and implemented several environmentally-friendly concepts for integrated urban planning. The company has received several awards for sustainable architecture and energy-efficient residential construction from the Financial Times and the World Bank, among others.

Sabine Balk

DEG'S COMMITMENT

DEG's tasks include its commitment to climate protection, as well as funding small and medium-sized companies in developing countries and emerging markets. It has been operating in Mexico since 1966 and opened a representative office there in 2003. DEG has funded over EUR 700 million in corporate investments there to date, for example in the infrastructure sector with a particular focus on renewable energies. It is absolutely crucial to DEG that the projects it co-finances in developing countries have a sustainably positive impact. DEG is a subsidiary of the KfW Group.

Introducing Lidia Vásquez

Lidia Vásquez is one of over 90,000 people in San Salvador who formerly lived in a hut and now have a house with water and electricity.

The sewer and her children were once branded as “hut dwellers” or “champeros”. They lived in a makeshift dwelling made of corrugated iron, without any running water or electricity and a latrine for a toilet. Thankfully things have changed since then. Although Lidia Vásquez still lives in the same neighbourhood, the huts have been turned into houses, the slums transformed into residential areas, and the mud paths have given way to paved walkways. There are still corrugated iron walls here and there, but now almost everybody has running drinking water, electricity, and a toilet.

“The difference is huge,” says the 73 year-old woman whose children have now grown up and moved out. Together with thousands of other people, she is benefiting from the fact that the slums in the greater area of the capital of San Salvador have been comprehensively redeveloped. The non-governmental organisation FUNDASAL has been working on the programme since 1986 and has implemented it in around 40 urban neighbourhoods with international support. KfW Development Bank has



Lidia Vásquez is delighted with her renovated house.

also invested a total of EUR 53 million in upgrading the slums on behalf of the German Federal Government.

Civil war in the 1980s drove many people like Lidia Vásquez into the capital. Row upon row of huts made of corrugated iron sprang up on its outskirts, with temporary paths and water points. Electricity was illegally tapped from cables and huts were often flooded in heavy rain. The cramped conditions of these destitute slums also fostered violence and crime. Lidia Vásquez recoils at the recollection of this period.

FUNDASAL set itself the mission of transforming the slums into liv-

able neighbourhoods according to the principle of “helping people to help themselves”. To this end inhabitants themselves paved the streets and constructed sidewalks. Support walls were built to secure the slopes that had repeatedly been damaged by rain. New water pipes brought in clean drinking water and electricity finally modernised the neighborhood.

At the same time, social facilities such as playgrounds and green spaces were created. “The community hall is the centre of the neighbourhood,” explains Lidia Vásquez. Meetings are held there that did not use to take place before as people “took no interest in anything because of their poverty and the violence of their environment.” They also lacked the confidence to speak out in front of other people. “I was always frightened if anyone asked me anything.” But that has also changed, it is now normal for regular discussions to take place in the community hall. Lidia Vásquez no longer wishes to move away from her neighbourhood: “It is lovely here now and we have to protect what has been achieved by everyone.”

Friederike Bauer

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