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## KfW Bankengruppe - 60 Years of Promotion of the German and European Economy

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Frankfurt (ots) - 18 November 1948: entry into force of the Law Concerning KfW Promotional loans totalling nearly one trillion euros awarded since its foundation Promotional programmes now financed to 94 per cent with capital market funds

Exactly 60 years ago to the day, on 18 November 1948, the Law Concerning KfW (KfW Law) took effect, paving the way for the long-term support of the German economy. Shortly afterwards KfW Bankengruppe, at the time still referred to by its old name of Kreditanstalt für Wiederaufbau, took up its promotional business. Since then, time after time important driving forces have been reinforced and new, promising developments have been initiated - in the economy, but also in society. "From the beginning KfW was more than simply a "channelling institution" for foreign donor funds. After the war it was the first bank to be incorporated under public law by German legislators and assigned a myriad of tasks. KfW's history is closely interwoven with the economic development of the Federal Republic of Germany. What is more, its establishment in Frankfurt was the trigger for the further development of Frankfurt as a financial location", explained Dr Ulrich Schröder, CEO of KfW Bankengruppe. "In the future, too, KfW will continue to play a role in forming the economy and society in conjunction with its official mission to provide support. Especially in difficult economic times such as the ones we are currently experiencing, there is a particularly strong need for a promotional bank like KfW to boost the economy and the country's financial centre. On this day I particularly thank all those former and current employees of KfW who have contributed so much to enabling us to successfully perform our promotional mandate".

Practically from the outset the promotional mandate assigned to KfW Bankengruppe, which today also includes KfW IPEX-Bank - spun off into an independent subsidiary as at 1 January 2008 - and, since 2001, Deutsche Investitions- und Entwicklungsgesellschaft (DEG), went beyond the borders of the Federal Republic. After its merger with the Staatsbank Berlin (in 1994) and Deutsche Ausgleichsbank (in 2003), KfW has become Europe's largest promotional bank by far - and serves as a model for many other promotional banks all over the globe. Today KfW Bankengruppe employs 3800 staff altogether and its balance sheet total adds up to EUR 354 billion (2007).

During the six decades of the bank's existence, the overall economic and social conditions have changed - and with them KfW's organisational structure and promotional tasks. Today the bank grants favourable loans to small and medium-sized enterprises, supports infrastructure and home construction, and advances climate protection. Its core tasks also encompass export finance and German Financial Cooperation with developing and industrialising countries. A comparatively new but increasingly important future field is education finance.

Whereas at the beginning KfW financed its promotional activities almost completely with public funds, today it refinances its promotional volume to 94 per cent with capital market funds. A mere six per cent come from the federal budget. Last year the bank's promotional volume attained EUR 87.1 billion - the largest in its 60-year history. Since its foundation KfW has granted nearly one trillion euros (at the current conversion rate) in loans in some 30 different currencies within Germany and throughout the world.

KfW's early days are closely associated with the Marshall Plan (European Recovery Programme, or ERP) for the reconstruction of Europe. The bank, endowed with equity of one million deutschmarks and Marshall Plan funds, was to support the reconstruction of the German economy. Given the housing shortage, in the post-war era the construction of housing was the top promotional priority. Housing finance reemerged as a key promotional area after German unification in the early 1990s. Already by 1997 around 3.2 million apartments had been modernised in the new federal states with KfW's help. Today homebuilding finance is closely tied to the promotion of climate protection: at over EUR 14.6 billion, financing for housing investments accounts for a good 42 per cent of all promotional loans extended by KfW Förderbank.

SME finance became important in the 1970s, when the first major energy crisis caused economic distortions all over the globe. The experience collected during the structural shift of the economy over the two decades that followed became useful in the post-unification reconstruction efforts. 99 per cent of all enterprises in eastern Germany are currently small or mid-sized. Simultaneously, KfW's range of promotional instruments is

continuously adapted to changing conditions. Innovative instruments such as asset securitisation, for instance, are further developed in order to improve the overall conditions for SME finance.

With its "Small SMEs" initiative KfW is also helping to improve the financing situation of small and micro businesses. Approximately one out of every five euros provided to the business sector in the form of a KfW loan is granted to an SME - totalling over EUR 13.2 billion in 2007.

KfW's activities that it conducts in other countries on behalf of the German Government have increased since the beginning of the 1960s. The focus of development support, once on large-scale infrastructure projects in the form of capital assistance for developing countries, shifted towards direct poverty reduction measures as of 1970. These days more is being asked of the developing countries: a counterpart contribution, greater willingness to reform and also good governance. To sustainably improve conditions for the people in developing countries, KfW increasingly adds funds of its own: last year 57 per cent of commitments were financed with funds raised in the capital market.

One of KfW's oldest business areas is export and project finance, with roots tracing back to the 1950s. At that time, the export of industrial installations was extremely important economically and worthy of support. Since the 1980s KfW has been increasing the share of capital market funds in its export finance operations. The revenues from these activities were and still are an effective and sustainable source of support for the promotional business of KfW Bankengruppe throughout Germany. A separation of promotional and competitive business as required by Brussels in 2003 led to the spin-off of export and project finance into an independent subsidiary - KfW IPEX-Bank, which launched its operations on 1 January 2008.

KfW was the first German promotional institution to finance ecological protection measures in the water and agricultural sectors as early as the 1950s and 1960s. Back then, no one explicitly talked about environmental protection, as the prime focus was on reversing ecological damage in the municipal sector. When environmental awareness started growing in the 1980s, KfW's environmental programmes began to attract businesses as well. After unification KfW provided considerable funds specifically to remedy the environmental damage in the chemical and lignite mining districts in the new Länder. Today one main focus of KfW's environmental and climate protection finance is on housing construction. The promotional initiative targeting energy-saving rehabilitation measures that KfW launched in the housing sector in 2006 enabled it to reach out to a broad audience of private homeowners on the lookout for finance - and 1.6 million tonnes of CO2 emissions p.a. were able to be reduced permanently solely through the investments sparked in 2006 and 2007 under its energy and climate protection programmes.

The fact that Germany has been playing a leading role in climate policy for many years can, in part, be credited to a visionary strategy that has been pursued in the field of environmental protection from an early stage. Today KfW is one of the key financiers of renewable energies, both within Germany and abroad. Germany's "number one environmental bank" invests around 20 per cent of its overall financing volume in national and international climate projects.

For more about KfW's history see [www.kfw.de](http://www.kfw.de) / About KfW Bankengruppe / Our History.

Pressekontakt:

For further information:

Dr. Charis Pöthig

Tel.: +49 (0) 69 7431-4683

E-Mail: [charis.poethig@kfw.de](mailto:charis.poethig@kfw.de)

KfW, Palmengartenstraße 5-9, 60325 Frankfurt

Kommunikation (KOM)

Tel. 069 7431-4400, Fax: 069 7431-3266,

E-Mail: [presse@kfw.de](mailto:presse@kfw.de), Internet: [www.kfw.de](http://www.kfw.de)

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