



Federal Ministry
for Economic Cooperation
and Development

Responsibility for Our Planet – Climate and Energy

BMZ Strategies

BMZ PAPER 6 | 2021
CORE AREA STRATEGY

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List of abbreviations

AA	Federal Foreign Office
AAI	Africa Adaptation Initiative
ACT	Action towards Climate-Friendly Transport
AU	African Union
AREI	Africa Renewable Energy Initiative
AWE	Agency for Business & Economic Development
BMBF	Federal Ministry of Education and Research
BMF	Federal Ministry of Finance
BMU	Federal Ministry for the Environment, Nature Conservation and Nuclear Safety
BMWi	Federal Ministry for Economic Affairs and Energy
BMZ	Federal Ministry for Economic Cooperation and Development
BVerfG	Federal Constitutional Court
CFF	C40 Cities Finance Facility
CIFs	Climate Investment Funds
CVF	Climate Vulnerable Forum
CO ₂ e	CO ₂ equivalents
CRS	credit reporting system
DAC	(OECD) Development Assistance Committee
DEG	<i>Deutsche Investitions- und Entwicklungsgesellschaft</i>
DEval	German Institute for Development Evaluation
DIE	German Development Institute
DKTI	German Climate and Technology Initiative
EG	Engagement Global
EGD	European Green Deal
EMAS	Eco-Management and Audit Scheme
ESMAP	Energy Sector Management Assistance Program
EU	European Union
G7	Group of Seven
G20	Group of Twenty
GCF	Green Climate Fund
GEF	Global Environment Facility
GG	Basic Law
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i>
ICLEI	Local Governments for Sustainability
IEA	International Energy Agency

IFIs	international financial institutions
IGP	InsuResilience Global Partnership
IMF	International Monetary Fund
IRENA	International Renewable Energy Agency
ISA	International Solar Alliance
KfW	<i>Kreditanstalt für Wiederaufbau</i>
KSG	Federal Climate Change Act
LCIPP	Local Communities and Indigenous Peoples Platform
LDCF	Least Developed Countries Fund
LDCs	least developed countries
LTS	long-term strategies
LWPG	Lima Work Programme on Gender
MSPs	multi-stakeholder partnerships
NAMA	Nationally Appropriate Mitigation Action
NAPs	National Adaptation Plans
NDCs	Nationally Determined Contributions
NDCP	NDC Partnership
NDICI	Neighbourhood, Development and International Cooperation Instrument
NDPs	National Development Plans
OECD	Organisation for Economic Co-operation and Development
PACE	Platform for Accelerating the Circular Economy
PBF	policy-based financing
PDD	Platform on Disaster Displacement
PtX	Power-to-X
REN21	Renewable Energy Policy Network for the 21st Century
SCCF	Special Climate Change Fund
SDG	Sustainable Development Goal
SE4All	Sustainable Energy for All
SIDS	small island developing states
SLOCAT Partnership	SLOCAT Partnership on Sustainable, Low Carbon Transport
SMEs	small and medium-sized enterprises
TEIs	Team Europe Initiatives
TFD	Task Force on Displacement
TUMI	Transformative Urban Mobility Initiative
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	UN Framework Convention on Climate Change
UN-Habitat	United Nations Human Settlements Programme
V20	Vulnerable Twenty Group

1 Executive summary and key messages

Climate change is one of the biggest challenges the world is facing and limiting its extent **requires a massive concerted effort on the part of the global community**. Industrialised countries bear special responsibility when it comes to protecting the world's climate. Nevertheless, **the temperature goals set in the Paris Agreement** cannot be met without decisive action in emerging economies and developing countries. To meet those temperature goals we need to achieve climate neutrality by mid-century and rapidly reduce emissions on the way to achieving that goal.

The challenges faced include adapting to the impacts of climate change and aligning global public and private financial flows with climate-neutral and resilient development trajectories. Countries in the Global South are particularly hard hit by the consequences of climate change. Given that some of these impacts are already unavoidable, systematic adaptation to climate change needs to happen now.

The Sustainable Development Goals (SDGs) which the global community set itself with the 2030 Agenda for Sustainable Development can only be achieved by limiting the extent of climate change. Otherwise, progress made also risks being undone. At the same time, climate-neutral development opens up many opportunities when it comes to health, employment and prosperity. It is also important that post-COVID-19 pandemic recovery is systematically aligned with climate-compatible development.

The required social, ecological and economic transformation will necessitate **policy reorientations and structural changes in relation**

to energy systems and urban development.

Against this backdrop, the Federal Ministry for Economic Cooperation and Development (BMZ) has placed the focus in its core area “Responsibility for Our Planet – Climate and Energy” on three areas of intervention: “Climate Change Mitigation and Adaptation”, “Renewable Energy and Energy Efficiency”, and “Sustainable Urban Development”. **The BMZ systematically promotes sustainable, climate-compatible development in other core areas, too. Its financial commitment overall is designed so as to be aligned with the goals of the Paris Agreement** and actively support their achievement. The majority of Germany's international climate finance is drawn from the BMZ's budget.

The BMZ supports social, ecological and economic transformation and thus contributes to limiting the increase in the global average temperature to 1.5 degrees Celsius as set out in the Paris Agreement and to achieving the SDGs defined in the 2030 Agenda. The BMZ in particular supports its partner countries when it comes to planning and implementing ambitious climate strategies, securing a sustainable energy supply and developing sustainable cities.

The BMZ draws on the full range of its instruments to promote this transformation.

Bilateral and multilateral instruments should be mutually reinforcing. The European Union (EU), international financial institutions (IFIs), United Nations (UN) organisations and climate finance funds are particularly important multilateral partners. In addition, debt relief is to be used in order to finance sustainable transformation processes.

The first area of intervention – “Climate Change Mitigation and Adaptation” – focuses on strategic climate-policy cooperation with the BMZ’s partner countries. To that end, ambitious mitigation and adaptation agreements are reached with partner countries, as well as with multilateral and private actors. Cross-sectoral approaches to mitigation and adaptation are applied when implementing these agreements, in the course of which the setting of ambitious policies and framework conditions is closely dovetailed with systematically building resilience and shaping climate finance instruments. The BMZ promotes the voluntary offsetting of businesses’ greenhouse gas emissions, in particular as part of the **“Development and Climate Alliance” initiative area. In future, this is to be incorporated more into the promotion of voluntary carbon markets in selected sectors, such as aviation.** The BMZ is setting a good example by becoming the **first climate-neutral federal ministry.**

In its second area of intervention – “Renewable Energy and Energy Efficiency” – the BMZ advocates meeting the rapidly rising demand for energy in a climate-neutral way while at the same time fully decarbonising the energy sector by 2050. Working with its partner countries and the international donor community, the BMZ aims to ensure that by 2030 populations have access to a needs-based energy supply which is drawn from 100 per cent renewable sources (“Vision 100” guiding principle¹). The **“Green People’s Energy” initiative area** seeks to better supply rural regions with decentralised renewable energy by involving communities, cooperatives and private-sector investors. Synthetic base materials and fuels promoted as part of the **“Green Hydrogen and Power-to-X Products” initiative area** contribute to sustainable socio-economic development and to achieving climate goals.

The aim of German development policy in the **third area of intervention – “Sustainable Urban Development” – is to make cities sustainable, climate-neutral, resilient and liveable.** To that end, the BMZ supports its partners in adopting an **integrated approach** so that growth can be shaped at an early stage, synergies relating to various aspects of urban development tapped into, and conflicts of interest balanced and avoided where possible. As a basis for sustainable urban development, the BMZ supports the development of governmental and administrative capacities and the provision of financial resources. On that basis, a particular focus is placed on the following areas of action in the urban setting: **mobility, a climate-neutral built environment, circular economy, and urban water management.** That, in turn, helps create sustainable housing and infrastructure, inclusive access to basic services, social participation, and a safe and healthy environment.

¹ See the Annex for further information.

2 Tackling climate change – a task for the whole of humanity

2.1 Challenges and development potential

Climate change is one of the biggest challenges the world is facing. It jeopardises the development gains of the past and puts future development at risk. In the Paris Agreement the international community agreed to hold the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to **1.5 degrees Celsius**. Even a temperature increase of just slightly more than 1.5 degrees Celsius will have serious consequences. Tipping points in the Earth's climate system are at risk of being reached; each tenth of a degree of warming counts. Sustainable development must stay within the limits of our planet, which also means within the Paris Agreement temperature goals – otherwise there will be no sustainable development.

Given that, historically, they are the main contributors to climate change and still have high per capita emissions, industrialised countries bear special responsibility when it comes to protecting the world's climate. However, without decisive action in emerging economies and developing countries it will not be possible to meet the temperature goals set in the Paris Agreement, because these countries already account for around two thirds of annual greenhouse gas emissions – and their share will continue to increase. In its Order of 24 March 2021, the Federal Constitutional Court (BVerfG) held that there was an international dimen-

sion to the obligation to take climate action as constitutionally enshrined in Article 20a of Germany's Basic Law (*Grundgesetz, GG*), noting: "Under this obligation, the state is compelled to engage in internationally oriented activities to tackle climate change at the global level and is required to promote climate action within the international framework."²

Under the Paris Agreement, the international community also pledged to promote adaptation to the impacts of climate change and boost climate resilience. The consequences of climate change can be seen across the globe, primarily in developing countries. Weather-related disasters such as drought, storms and flooding as well as gradually changing precipitation patterns, water scarcity, land degradation and the collapse of ecosystems are hitting the poorest and already marginalised population groups particularly hard. Climate change is already giving rise to migration flows and disaster-induced displacement. In concrete terms, climate change could cause up to 132 million more people to slide into extreme poverty by 2030 and force over 140 million people to migrate by 2050. That is why adopting a comprehensive approach to climate and disaster risks is gaining increasing importance. For those who are hit particularly hard by climate change, climate-related **losses and damages need to be averted, minimised and addressed**, including loss and damage which are difficult to measure in economic terms, such as the loss of one's familiar surroundings, intact ecosystems and cultural heritage.

² BVerfG, Order of the First Senate of 24 March 2021 – 1 BvR 2656/18.

Three quarters of current global greenhouse gas emissions are energy-related.³ The International Energy Agency (IEA) holds that decisive actions from governments and a drastic reduction in energy-sector emissions are imperative to limit the rise in the global average temperature to 1.5 degrees Celsius.⁴ At the same time, demand for energy in developing countries and emerging economies is growing. In order to find sustainable answers to this challenge, the **share of renewable energy in the energy mix** will need to grow and energy efficiency will have to be increased significantly. Decarbonisation must be framed in such a way that it can also open up **perspectives for those who are adversely affected by structural change**. The required transformation not only needs to be socially equitable, it can and should, most especially, also open up development and employment opportunities for the poorest and most vulnerable countries and population groups.

Cities play a key role when it comes to both mitigation and adaptation. They are already home to more than half of humanity. Cities generate more than two thirds of energy-related greenhouse gas emissions and are at particular risk from the consequences of climate change (e.g. two thirds of all megacities are found in coastal areas). **The expected increase in the share of the urban population to more than two thirds of the (growing) global population will further exacerbate existing challenges.** At the same time, many cities are already implementing local climate action measures and have tried and tested know-how which needs to be strengthened and shared. In order to ensure that cities can continue to provide a liveable environment for all in the long run, **buildings, transport systems, land use, and urban water and waste management** need to be put on a sustainable footing and emissions reduced. **Cities** need to build greater **resilience**, to which

end **effective circular economic systems** are also needed.

The goal of limiting the increase in the global average temperature to 1.5 degrees Celsius means that we need to achieve global climate neutrality by mid-century and to rapidly reduce emissions on the way to achieving that goal. Nature-based solutions such as protecting and regenerating soils and forests to provide carbon sinks while at the same time maintaining biodiversity are vital to that. Emissions produced by current nutrition systems are contributing significantly to global warming. **At the same time, climate change represents one of the biggest challenges which agriculture and the rural population face** (including to drought, heavy rainfall and flooding, and changed farming conditions).

The transition to climate neutrality and resilience will require considerable investment to promote sustainable growth, future-proof jobs, public health and human development overall, and thus more than pays off. **Public funding alone will not suffice.** Instead, **all global financial flows**, including private investment, in all economic sectors and financial markets will have to be aligned with the mitigation and adaptation goals set in the Paris Agreement.

Time is one of the biggest challenges faced when addressing those tasks. The longer we delay embarking on the path to climate neutrality, the higher the costs of that transformation will be. Transformation is already technologically possible and also makes social, ecological and macroeconomic sense. The same goes for the use of that public and private finance which is being mobilised to help global economic recovery during and on account of the COVID-19 pandemic. The next five years will be decisive when it comes to achieving the goals set in the Paris Agreement and the 2030 Agenda.

³Meaning that they are caused by power generation itself and energy consumption by the transport, industry, trade, agricultural, building and other sectors.

⁴IEA (2021): Net Zero by 2050 – A Roadmap for the Global Energy Sector, <https://www.iea.org/reports/net-zero-by-2050>.

2.2 Status quo and experience to date

The vast majority of countries are not on track to implement the Paris Agreement. Germany and Europe have a long way to go before they achieve sustainable emissions levels, and the same also applies to the BMZ's partners. Even if all previous Nationally Determined Contributions (NDCs) were to be implemented, global warming would still be expected to reach around 3 degrees Celsius. NDCs are not yet sufficient to achieve the goal of **greenhouse gas neutrality by mid-century**, the goal which has already been set out by a number of countries in their long-term strategies (LTS), or is yet to be set out. **Also, most countries are only now embarking on the path of adaptation.**

German development policy can draw on wide-ranging experience gained in this area in recent years and decades.

Germany is one of the largest international donors of climate finance and has exceeded its 2020 climate finance target of 4 billion euros based on budget funds, reaching some 5.1 billion euros. The BMZ contributes more than 85 per cent of these funds. **In total, Germany delivered climate finance amounting to about 7.8 billion euros⁵ in 2020** (incl. mobilised market funds and private climate finance).⁶ Despite this positive trend, the internationally agreed goal of jointly providing 100 billion US dollars annually by 2020 is unlikely to be delivered on, including in light of the COVID-19 pandemic. **The BMZ has assumed responsibility by way of bilateral measures, contributions within the European context and multilateral commitments, often in close cooperation with the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).**

In this way, it has increased the international momentum on mitigation and adaptation and brought its influence to bear to ensure that international finance flows are in line with the Paris Agreement. For example, bilateral Financial Cooperation has led to the BMZ's partner countries making annual reductions of 50.8 million tonnes of CO₂ equivalents (CO₂e) in projects signed in the period 2015 to 2020. Just over 381,000 tonnes of greenhouse gas emissions were directly and 29.2 million tonnes were indirectly avoided in 2019 alone as part of the BMZ's bilateral Technical Cooperation.⁷

Through two international partnership initiatives the BMZ has helped shape the landscape of climate actors. The first is the **global NDC Partnership (NDGP)**, which was launched jointly by the BMZ and the BMU in 2016. Ninety-six developing countries and emerging economies had joined the NDGP by April 2021; members of the NDGP are cooperating in some 80 countries on implementing and raising their NDC ambitions. Overall, though, the BMZ's partner countries', as well as bilateral and multilateral donors', activities need to be more stringently aligned with NDCs. Similarly, the BMZ launched the **InsuResilience Global Partnership (IGP)** to support climate risk financing and insurance solutions. The IGP now has more than 100 partners in the Group of Twenty (G20) and the Vulnerable Twenty (V20),⁸ multilateral institutions, the insurance sector, civil society and science.

By adopting the **European Green Deal (EGD)** and a new climate-centred trade strategy, the EU and its member states are together taking a big step towards mitigation and adaptation and are underscoring their **role as global trend-setters**. Although the external dimension of the EGD has not yet been made sufficiently

⁵Incl. private finance mobilised through public-sector interventions and KfW/DEG market funds.

⁶By way of comparison, in 2018 the Organisation for Economic Co-operation and Development (OECD) anticipated total international climate finance of 79 billion euros from all sources.

⁷Aggregate results reporting for bilateral development cooperation.

⁸The group of ministers of finance of the Climate Vulnerable Forum (CVF), the global partnership of countries most vulnerable to climate change.

concrete, it has lately been incorporated into several of the EU's foreign policy strategies. The Team Europe approach and joint programming provide a good starting point when it comes to breathing life into the EGD's external dimension through more and better donor community cooperation within the Neighbourhood, Development and International Cooperation Instrument (NDICI). Nevertheless, the EGD must not be perceived as an initiative which imposes new conditions which, in turn, make international cooperation more difficult, but rather as an approach which has social and economic potential for partner countries, including on account of significant support from donors.

Germany is, further, one of the most important backers of multilateral climate funds and works within their respective governance bodies to decisively shape the institutions' strategic orientation. The BMZ is currently the second-largest donor to the Global Environment Facility (GEF) after Japan, for instance. It is the largest donor to the Least Developed Countries Fund (LDCF), the GEF's fund for the world's poorest countries, and to the Special Climate Change Fund (SCCF). Germany's contributions to the Green Climate Fund (GCF) and to the Climate Investment Funds (CIFs), both drawn from the BMZ's budget, makes it one of their largest donors. Germany has doubled its contribution to the GCF alone, from 750 million euros in the period 2015 to 2019 to 1.5 billion euros in the period 2020 to 2023. The BMZ uses this multilateral approach to achieve considerable impacts: projects which have already been approved by the GCF will likely lead to reductions of 1.8 billion tonnes of CO₂e and 498 million people are likely to benefit from greater climate resilience thanks to GCF adaptation projects. Projects undertaken during the seventh replenishment of the GEF (4.1 billion US dollars) will also lead to reductions of 1.5 billion tonnes of CO₂e.⁹

Germany has gained particular credibility in climate negotiations on dealing with climate-related losses and damage, in the course of which the BMZ champions innovative approaches. By promoting concrete climate and disaster risk financing measures, supporting early warning systems, providing targeted support to climate risk analyses and management, capacity- and knowledge-building relating to climate-induced migration and displacement, and by cooperating within the Global Commission on Adaptation, Germany has proven to be a reliable and committed partner which assumes responsibility for countries and people most severely affected by the consequences of climate change. At the same time, a more systematic approach needs to be adopted when it comes to dealing with its partner countries' vulnerability.

German development cooperation has ensured that **millions of households and small and medium-sized enterprises (SMEs) have access to a sustainable energy supply – more than three million people in 2020 alone.** Significant contributions to the energy transition were made in countries with a high share of fossil fuels, including Chile, India, Morocco and South Africa. This transformation is of particular relevance to future-proof climate- and energy-policy development cooperation. The BMZ has also gained initial experience of producing base materials and fuel using renewable power. Many of its partner countries still have some scope when it comes to scaling their own efforts to create an enabling energy-policy environment and thus also better incorporating the private sector.

The BMZ promotes sustainable and climate-compatible urban planning and development. Long-term bilateral development cooperation **has proven to lead to structural improvements to the legal and policy frameworks for cities and improved urban services.** The founding of initiatives such as the C40 Cities Finance Facility (CFF) in 2015, the Transformative Urban

⁹Germany's GCF contribution of 1.5 billion euros during the current first replenishment represents a share of some 17 per cent. At 420 million euros, Germany's share of the GEF amounts to approx. 12 per cent.

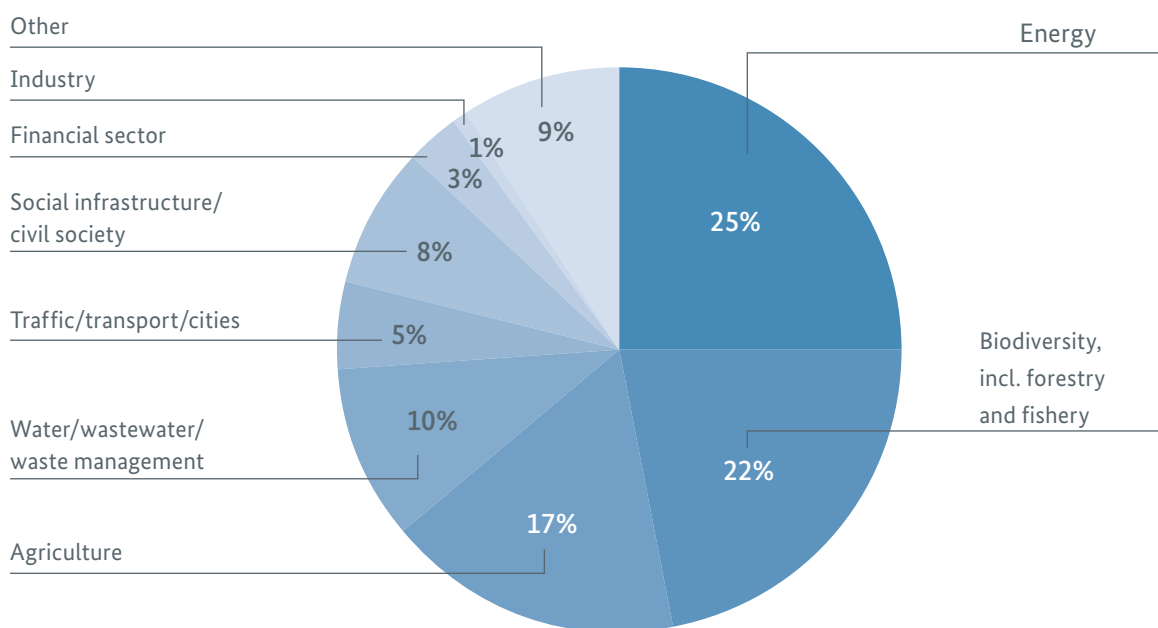
Mobility Initiative (TUMI) in 2016, the PREVENT Waste Alliance in 2019 and the Cities Climate Finance Gap Fund in 2020, as well as the negotiation of the **New Urban Agenda** have created additional momentum in this regard. The TUMI, for instance, has given 26.5 million people access to better transport systems, leading to annual emissions reductions of 1.5 million tonnes of CO₂e.

What will be crucial in the coming years is that all relevant sectors need to be drawn even closer together within an integrated urban development approach. Growth in secondary towns and cities has been rapid and often uncontrolled. To date, climate-neutral development pathways are not being embarked on early enough. Sustainable mobility concepts, for instance, do not form part of overall urban planning processes, and circular economy approaches are not being developed and scaled. To promote social exchange and society's contribution to tackling

climate change, civil society organisations, the churches and political foundations also need to be included more in project planning, and systematic use needs to be made of the exchange of information between municipalities in Germany and partner countries.

The BMZ also systematically promotes environmentally sustainable and climate-compatible development in other relevant sectors, in particular in relation to nutrition systems, forest conservation, biodiversity and water. Further, the BMZ is committed to climate-sensitive, resource-efficient and responsible primary raw materials extraction, which is, not least, a precondition for expanding renewables. The relevant strategies and their relevance to the issue of climate change are explained in the respective core area strategies, in particular in the core areas “Protecting Life on Earth – The Environment and Natural Resources” and “A World Without Hunger”.

Fig. 1: BMZ climate finance by sector (data drawn from the 2019 bilateral development cooperation budget in the wider sense, DAC credit reporting system (CRS) codes)^{10, 11}



Given that it is not possible to draw sharp distinctions between the individual sectors, the above figure can only indicate orders of magnitude.

¹⁰Sector definitions based on the following CRS codes: energy; biodiversity, including forestry and fishery; agriculture; traffic/transport and cities; social infrastructure and civil society; industry; other (all remaining projects).

¹¹Ongoing “Technical Cooperation projects in urban settings” with climate impacts are not fully represented in the graph.

The BMZ can continue to build on German development policy's previous presence and success in terms of climate- and energy-policy cooperation. Even closer dovetailing between **bilateral and multilateral instruments will play an important role when it comes to effectively promoting systemic changes.** **Key multilateral actors** include the World Bank Group and regional development banks, EU institutions, the United Nations Development Programme (UNDP), the United Nations Human Settlements Programme (UN-Habitat), the International Monetary Fund (IMF), the International Renewable Energy Agency (IRENA), the GCF and the GEF.

A coherent, effective whole-of-government approach has by and large been adopted in recent years when it comes to making efficient use of Germany's climate finance and close dialogue between the BMZ and the BMU, the Federal Foreign Office (AA), the Federal Ministry for Economic Affairs and Energy (BMWi), the Federal Ministry of Education and Research (BMBWF) and the Federal Ministry of Finance (BMF). **In future, synergies in interdepartmental cooperation will have to be tapped into even more efficiently, though.** Reference can here only be made to the following by way of example: shaping international market mechanisms under the Paris Agreement, the field of urban development and ambitious positioning on climate issues by development banks and in relation to export credit financing.

3 Strategic conclusions and focus of German cooperation in the period 2021 to 2025

3.1 German development policy approach and interests

A stable global climate is a global public good and essential to human development. Successful mitigation of climate change is in Germany's and in Europe's interests. Moreover, successful mitigation is vital to the future prospects of poor and vulnerable people in developing countries and emerging economies in particular. **The Paris Agreement, alongside the 2030 Agenda with its Sustainable Development Goals and its pledge to leave no one behind, plays a key role in informing German development policy.** As a result, the measures adopted in this core area contribute directly to achieving both SDG 13 (climate action) and other SDGs, in particular SDG 7 (affordable and clean energy) and SDG 11 (sustainable cities and communities). Furthermore, contributions are expected to be made to achieving almost all the other SDGs, including SDG 1 (no poverty), SDG 2 (zero hunger), SDG 6 (clean water and sanitation) and SDG 15 (life on land). In terms of the measures adopted in this core area, that means that coherent implementation of the 2030 Agenda on the one hand and of NDCs, LTS and National Adaptation Plans (NAPs) on the other hand will, through mutual support, generate **considerable synergies in relation to development progress and to mitigation and adaptation.**

Efforts undertaken so far to protect the climate will not be enough to limit the increase in the global average temperature to 1.5 degrees Celsius. That is why **the BMZ advocates, both as a partner in developing countries and emerging economies and at global level, adopting a res-**

olute climate policy which is oriented to the goals set in the Paris Agreement.

Significantly more ambitious national mitigation and adaptation policies are central to that. Structural changes to energy systems and regarding urban development have the potential to achieve great impact. That is why **this BMZ Core Area Strategy focuses on three areas of intervention, namely “Climate Change Mitigation and Adaptation”, “Renewable Energy and Energy Efficiency” and “Sustainable Urban Development”.** Measures are to be agreed with the BMZ's partner countries in all these areas of intervention and support is to be provided in their implementation to facilitate **concrete changes** in partner countries **and to set the framework** for a climate-compatible and socially equitable **transformation.** To ensure that transformation is successful, all interventions – whether bilateral or multilateral, through Technical or Financial Cooperation, with science, civil society and business – need to be coherently dovetailed.

Now is the time to implement the necessary and socially equitable transformation in line with the Recover Forward approach **through sustainable investment programmes and by redesigning economic systems as part of the response to the COVID-19 pandemic.**

The BMZ continues to use its wide-ranging bilateral and multilateral activities, that is finance, advice and know-how, to benefit mitigation and adaptation as well as **to build trust in international climate negotiations.**

3.2 Development policy objectives

Objectives of this core area

The overall objective of the BMZ's Core Area Strategy "Responsibility for Our Planet – Climate and Energy" is to **support social, ecological and economic transformation and thereby to contribute to limiting the increase in the global average temperature to 1.5 degrees Celsius as set out in the Paris Agreement and achieving the SDGs under the 2030 Agenda. To that end, the BMZ is above all committed to ambitious mitigation, to adaptation to that climate change which is now unavoidable, to providing access to a needs-based, affordable and sustainable energy supply, and to designing sustainable, climate-neutral, resilient and liveable cities.**

Through dialogue and with concrete support, partners and institutions are to be enabled to meet their mitigation obligations under the Paris Agreement and to implement adaptation and resilience measures. As a rule, **projects in this core area are fully aligned with mitigation and/or adaptation by way of their primary and secondary objectives.** This means that, in accordance with the relevant OECD DAC requirements,¹² they can thus be reported as climate finance – generally for 100 per cent and at least 50 per cent of their volume.

The first area of intervention – "Climate Change Mitigation and Adaptation" – focuses on strategic, cross-sectoral cooperation to facilitate climate-policy reforms. To that end, capacities and institutions for drawing up and implementing climate-relevant policies are to be built and strengthened and transformative

climate portfolios established (SDG 13.1–3, a, b). The objective of these processes, institutions and projects is to increase a country's or an institution's contribution to limiting the rise in the global average temperature to 1.5 degrees Celsius and/or increasing resilience and adaptive capacity in relation to climate-related risks.

In the **second area of intervention – "Renewable Energy and Energy Efficiency" – the BMZ aims to meet rapidly rising energy demand in a climate-neutral way while at the same time fully decarbonising the energy sector.** With this area of intervention, the BMZ in particular contributes to **increasing the share of renewable energy (SDG 7.2), improving energy efficiency (SDG 7.3) and ensuring universal access to energy services (SDG 7.1)** under the 2030 Agenda. This includes the goal of, together with its partner countries, the donor community and other relevant stakeholders, fully decarbonising the energy sector by 2050 and, by 2030, giving populations in its partner countries access to a needs-based energy supply which is to be drawn fully from renewable sources and is produced and used in a sustainable way ("Vision 100" guiding principle). The positive impacts of a needs-based energy supply are essential to economic and social development¹³ and thus go beyond the climate goals and SDG 7.

The objective of German development policy in the **third area of intervention – "Sustainable Urban Development" – is to contribute to sustainable, climate-neutral, resilient and liveable cities.** "Liveable" in this context means that people have a safe and healthy environment to live in (SDG 11), have inclusive access to basic services, employment and social life,

¹²Exceptions apply, for example, to certain types of energy projects delivering access to energy generated using renewable sources which do not contribute directly to reducing existing emissions but help lay the foundations for a successful energy transition. Further exceptions apply to certain urban development projects which, for instance, primarily seek to improve existing services or do capacity-building in institutions.

¹³SDG 1 (no poverty), SDG 2 (zero hunger), SDG 3 (good health and wellbeing), SDG 4 (quality education), SDG 5 (gender equality), SDG 8 (decent work and economic growth), SDG 9 (industry), SDG 10 (reduced inequalities) and SDG 11 (sustainable cities and communities). In addition, account is taken of anti-corruption measures (SDG 16) so that funding gets to where it is needed.

as well as sustainable housing.¹⁴ To that end, an **integrated approach** is applied to tap into synergies arising in relation to diverse aspects of urban development and conflicts of interest are balanced and avoided where possible. This integrated approach pursues solutions which incorporate the perspectives of and challenges faced in various sectors and by various stakeholders, take account of multi-layered social interdependencies and thus influence the overall spatial, historic and socio-economic development of cities.

Overarching climate-policy objectives

Ambitions need to be raised across all areas in order to achieve the goals of the Paris Agreement. That is why the BMZ backs agreement being reached on a new international climate finance goal for the post-2025 period. In the course of the relevant negotiations, the BMZ will advocate defining an ambitious international goal. Measures drawn from other core areas addressed by the BMZ also contribute to achieving that goal. The aim is to ensure that, with regard to budgetary funds, **a balance is struck between mitigation finance and adaptation finance** and, with regard to the market funds and private climate finance that are mobilised, to increase the proportion allocated to adaptation measures.

In future, the BMZ plans to use policy dialogue even more to tie its support to climate-policy objectives. More specifically, the BMZ aims to ensure its own activities and BMZ country strategies are coherent with its partner countries' existing NDCs, LTS and NAPs and with the goal of climate neutrality, as well as to assist its partner countries in aligning their National Development Plans (NDPs) accordingly. In doing so, the BMZ will also critically examine its partners' own efforts and support ambitious mitigation and adaptation plans.

The BMZ will, in future, also continuously monitor the extent to which its bilateral financial commitment and contributions to multilateral funds are having an optimum effect in terms of shaping the climate agenda. **Further, the BMZ will ensure that its activities as a whole are aligned with the goals of the Paris Agreement and that their achievement is actively supported where possible** (Paris Alignment).¹⁵

To ensure that development-policy commitment in this core area has a greater impact and to reinforce its credibility, **the BMZ also advocates, within its area of responsibility, adopting an ambitious national and EU climate policy.** This includes ensuring that CO₂ prices and carbon border adjustment mechanisms are development-oriented and that financial markets and international supply chains are sustainable. The BMZ also continues to work towards the German government adopting a wide-ranging resolution to eliminate fossil fuels in its international and national financing.

Funding and instruments

The BMZ will enter into strategic cooperation on climate action with select, ambitious countries, including least developed countries (LDCs). The increased funding available for such cooperation will be used to support climate-policy transformation processes in order to implement ambitious mitigation and adaptation goals. A climate-compatible policy framework is to be set to that end, for example by reforming subsidies in this area or by introducing CO₂ prices. Such reforms will be supported through bilateral and multilateral funding, for instance the bilateral co-financing of multilateral policy-based financing (PBF). In addition, bilateral funding will be made available, for instance, through the German Climate

¹⁴Against this backdrop, in this area of intervention the BMZ contributes to enhancing inclusive and sustainable urbanisation (SDG 11.3), sustainable transport systems (SDG 11.2) and reducing the adverse per capita environmental impact of cities (SDG 11.6), among other things.

¹⁵In terms of the BMZ's bilateral commitment, this refers, for instance, to the forthcoming performance specification relating to the quality criterion "Climate and Environmental Impact Assessment".

and Technology Initiative (DKTI), specifically to promote projects which foster transformative technology leaps and particularly innovative topics.

Cross-project climate risk analyses¹⁶, where they exist, will be applied. Where not, such analyses will be conducted in cooperation with the partner or the partner will be supported in conducting them. These analyses provide the basis for further developing German development cooperation as well as for planning and implementing **adaptation and resilience** measures backed by the BMZ. At the same time, they help to strengthen its partner countries' adaptive capacity.

Environmental and climate impact assessments, which need to be conducted in relation to all BMZ strategies and measures, also ensure that adverse impacts on mitigation and the environment are avoided or reduced on the one hand and that systematic account is taken of the anticipated impacts of climate change. On the other hand, they are to be used to increase the potential for greenhouse gas emissions reductions and for adaptation and environmental protection.

Besides its wide-ranging bilateral commitment, **the BMZ's multilateral contributions, for example to the GCF and the GEF, will be used to make a key contribution to financing its international obligations** under the UN Framework Convention on Climate Change (UNFCCC). Further, **a strong focus in all the areas of intervention is to be placed on mobilising private capital** for climate finance. The policy framework needs to be improved, sustainable business models developed, new collaborations entered into and the risks of corruption reduced so as to build private actors' trust. To meet the high demand for **adaptation finance**, funding instruments need to take systematic account of the climate risks and attractive conditions need to be

created to promote adaptation investment. In future, the BMZ will be deploying its own climate finance instruments even more coherently. **Bilateral and multilateral measures are to be dovetailed as closely as possible.**

The BMZ engages in the following priority activities to help shape the **international climate-policy agenda: multilateral development banks are called on and supported when it comes to fully aligning their activities with the Paris Agreement** and using their policy-financing instruments to ensure that the course is set towards decarbonisation. **The BMZ is also actively involved, within the G7 and G20 processes, in climate-policy dialogue and will, in particular during Germany's G7 Presidency in 2022, advocate the adoption of a progressive climate and energy policy.** In the EU context the BMZ advocates the principles of the **European Green Deal (EGD)** being applied, through cross-disciplinary measures to achieve climate neutrality and sustainability, as part of the **EU's external action**, too. The Team Europe Initiatives (TEIs), for instance, serve this purpose. In the course of NDICI programming, the BMZ is committed to ensuring that these initiatives promote donor community activities and are adapted to the needs of its partner countries, for example the regional Africa–EU Green Energy Initiative, which the BMZ was involved in setting up.

Cooperation with and the promotion of science, civil society and municipalities in the BMZ's partner countries as well as in Germany and Europe serve to further develop, critically follow and justify the climate-policy agenda. These stakeholders all play an essential role when it comes to mobilising others to get involved in shaping climate policy, they increase transparency and support social dialogue on mitigation and adaptation. That is why the BMZ is planning to further deepen its dialogue with them. Among other things, the BMZ will **host**

¹⁶Depending on the specific situation and development-policy priorities, both evidence-based climate action analyses and those risk assessments will be conducted.

an annual, joint dialogue event. Cooperation with civil society and municipalities when it comes to implementing measures is also to be stepped up, in particular in the context of **multi-stakeholder partnerships (MSPs)**. The goal is to establish scientific collaborations between researchers in the global North and South relating to the evidence-based design of the climate-policy agenda and building further capacities in the North and South.

Moreover, **through its positioning on international climate policy Germany strengthens disadvantaged population groups in a targeted manner and promotes their participation in climate negotiations.** The BMZ supports the UNFCCC's Local Communities and Indigenous Peoples Platform (LCIPP) and advocates implementing the Gender Action Plan under the Lima Work Programme on Gender (LWPG), for instance.

Quality criteria

Quality criteria as defined in the BMZ 2030 reform strategy must be taken into account and incorporated as cross-cutting issues into all of the BMZ's activities. Quality criteria are the **"hallmark" of value-based, sustainable and forward-looking development cooperation.** Six quality criteria are currently applied: "Human Rights, Gender Equality and Disability Inclusion", "Anti-corruption and Integrity", "Poverty Reduction and Inequality Reduction", "Environmental and Climate Impact Assessment", "Conflict Sensitivity ("Do No Harm")", and "Digital Technology". Separate specification documents will be drawn up for each of the quality criteria.

Every project in the entire core area must take account of the BMZ's quality criteria as defined in their performance specifications. For instance, **"Poverty Reduction and Inequality Reduction"** as well as promoting **"Human Rights, Gender Equality and Disability Inclusion"** are also guiding principles of the BMZ's climate policy. Systematic account is taken of the poorest and most disadvantaged population groups, and women are incorporated in a targeted manner. Human-rights risks and impacts as well as gender analyses are considered or rather conducted in relation to all bilateral projects. The opportunities presented by **digital technology** are above all used in areas of intervention 2 and 3, which, in combination with innovative technologies, supports the mobility and energy transition, for example, and, in some cases, even provides access to renewable energy in the first place. Further, structural reforms will need to be implemented which take account of **transparent and participatory governance.** Only then will they be able to take effect and gain acceptance. Corruption can hamper climate measures at all levels – from framing political content to implementing mitigation and adaptation measures. Consistently taking account of the "Anti-corruption and Integrity" quality criterion is an important precondition for the measures implemented in this core area to be effective. It is especially in fragile contexts that **conflict sensitivity assessments are now of greater relevance when it comes to increasing resilience to a broad range of risks.** These approaches are also central to dealing with climate-induced migration and countering disaster-induced displacement.

4 The future direction of Germany's development cooperation in the three areas of intervention: Strategic policy orientations

4.1 Area of intervention 1: “Climate Change Mitigation and Adaptation”

This area of intervention focuses on strategic cross-sectoral cooperation with Germany's partner countries and other stakeholders to promote climate-policy reforms. To that end, capacities and institutions for framing and implementing climate-relevant policies are strengthened and transformative climate portfolios are established to boost countries' and institutions' contribution to limiting the increase in the global average temperature to 1.5 degrees Celsius and/or boosting resilience and adaptive capacity to climate-related risks. **The BMZ cooperates closely with countries and regions as well as with multilateral organisations, civil society, the private sector and science to improve the international framework.**

The BMZ contributes to the objective of the NDCP of directly or indirectly supporting 50 emerging economies and developing countries in implementing their NDCs and in raising their ambitions by 2025.¹⁷ For example, the BMZ seeks to promote direct NDC implementation measures in all those of its partner countries which are also members of the NDCP. **Moreover, it aims to implement the IGP's Vision 2025,** according to which, for instance,

500 million poor and vulnerable people are to be insured against climate risks by 2025 through climate risk financing and insurance solutions. Going forward, bilateral development cooperation measures in this area of intervention are to make greater contributions to both partnerships.

Bilateral cooperation in this area of intervention pursues ambitious, explicit climate goals such as greenhouse gas emissions reduction and systematic climate change adaptation at national and/or subnational level. All the measures implemented in this area of intervention have explicit primary or secondary goals in relation to mitigation and adaptation, as a result of which they can be reported fully as climate finance. To implement these measures the BMZ establishes **transformative climate portfolios** as part of Financial and Technical Cooperation, such as decarbonisation projects, systematic adaptation measures and promoting nature-based solutions. They include, for instance, measures in the agricultural sector and in cities in relation to (urban water management) infrastructure and measures to protect forests, coastal waters and other ecosystems. Agro-ecological approaches are strengthened in the context of rural development, too. The BMZ's partner countries also receive support when it comes to drawing up national climate

¹⁷Joint lead responsibility with the BMU.

strategies, capacity-building in the relevant institutions and strengthening participative processes to achieve climate goals.

Targeted measures are to be used to boost the adaptive capacity of particularly vulnerable countries and disadvantaged and marginalised people and groups and to strengthen their climate resilience.¹⁸ To that end, the BMZ promotes innovative and closely dovetailed climate risk and disaster risk management in its partner countries through contextual risk and resilience analyses and risk-based planning and monitoring systems. Implementation on the ground may involve, for example, efforts to strengthen resilient infrastructure, climate risk finance and insurance, and crisis-proof social protection systems. This can also contribute to conflict prevention and crisis management, as well as to securing livelihoods in fragile states. **Under the Sendai Framework for Disaster Risk Reduction**, adaptation and mitigation are promoted as a key means of increasing human safety and security. In many cases, these measures can help prevent climate-induced migration and displacement.

Partners and instruments

To achieve the agreed mitigation and adaptation goals, the BMZ supports its partner countries when it comes to planning and implementing their NDCs, LTS and/or NAPs. Climate risk analyses, which are jointly conducted and updated where necessary, form the basis for cooperation on adaptation and resilience.

Having the right framework conditions in place, which can be promoted by providing advice on policy and sectoral reforms, is one key to effective climate action. One focus here is on cutting subsidies for fossil fuels and introducing CO₂ prices. The BMZ ensures that these reforms are socially equitable. **It supports these reform processes by financing or co-financing multilateral PBF, using this**

funding to set incentives. This is increasingly being used, in particular in countries that are eligible for loans, and is accompanied by support for public financial management and by the G20's anti-corruption and integrity measures. The BMZ is to help design debt-relief initiatives – for instance in the context of the COVID-19 pandemic – so that they reinforce climate-policy objectives. Relevant debt swaps are another option. The BMZ works through its advisory services and capacity-building to strengthen developing countries' debt management capacities in the medium term and to ensure that account is taken of climate risks.

Cooperation with LDCs and small island developing states (SIDS) is of particular climate-policy relevance when it comes to adaptation and increasing resilience (SDG 13.b). The BMZ cooperates with LDCs through bilateral and regional projects. SIDS are supported in the context of MSPs and multilateral mechanisms. Further, the BMZ is committed to continuing its close cooperation with the V20, the NAP Global Network and the Africa Adaptation Initiative (AAI). It supports the work of the Platform on Disaster Displacement (PDD) and the Task Force on Displacement (TFD) under the Warsaw Mechanism to develop international solutions to climate-induced migration and disaster-induced displacement.

The European Commission, multilateral development banks and UN organisations are key partners across this entire area of intervention when it comes to promoting synergies and achieving systemic impacts. The BMZ supports effective climate policies in emerging economies and developing countries by cooperating with the World Bank Group, regional banks, the UN and the IMF. In the coming years, the BMZ will be using targeted funding measures (e.g. the Green Recovery Initiative with the World Bank and the EU's TEIs) and various dialogue processes to ensure

¹⁸Besides SDG 13, other affected SDGs include SDG 1.5 and SDG 11.5 (protect poor and vulnerable people against disasters); SDG 1.3 and SDG 10.4 (social protection); SDG 9 (resilient infrastructure); and SDG 16 (peace, justice and strong institutions).

that green recovery follows the Recover Forward approach. **When implementing measures across this entire area of intervention the BMZ also makes significant use of the multilateral funds linked to the Framework Convention on Climate Change and the Paris Agreement, the GCF¹⁹ and the GEF, including the LDCF, as well as CIFs.** Some of these partners have been working in this field for decades, making them key pillars of the international climate finance architecture.

In order to tap into additional potential to leverage funding, the BMZ engages in efforts to reduce risks and improve the general environment for private providers of capital so as to enable them to make climate-related investments in its partner countries. Here, too, PBF and insurance are used in a targeted manner. Account is also taken of the potential inherent in voluntary greenhouse gas offsetting. **The private sector is, furthermore, the key player when it comes to developing and disseminating climate-action technologies,** which are often used in German development cooperation.²⁰

Examples of the BMZ's climate initiatives

“Development and Climate Alliance” initiative area – voluntary private-sector commitment to development and climate action

The BMZ's fixed-term “**Development and Climate Alliance**” initiative area shows how private-sector commitment to more climate action can work, namely by mobilising non-governmental actors to work towards climate neutrality in conjunction with supporting mitigation and adaptation in developing countries.

The investment needed to implement the 2030 Agenda and achieve the climate goals set in the Paris Agreement cannot be financed from public funding alone. Key factors for the success of climate action measures are **mobilising private funding and expanding the voluntary commitment** of businesses, civil-society organisations, municipalities and private citizens.

To that end, the BMZ launched the Development and Climate Alliance in late 2018. **The Alliance mobilises and supports voluntary action and utilises the leverage effect from CO₂ emissions offset projects for development purposes.** The Alliance's supporters want to achieve climate neutrality by avoiding and reducing CO₂ emissions and offsetting their remaining emissions as part of voluntary schemes through high-quality (e.g. Gold Standard) climate-neutral projects in developing countries and emerging economies. That way they can, for instance, finance the use of solar cookers to reduce CO₂ emissions or protect forests for carbon storage. In addition, these projects help to improve local people's living conditions and/or to maintain biodiversity. Independently reviewed standards are used to verify the development outcomes and impacts achieved. Two years following its launch, the Alliance already had more than 1,100 supporters (as of May 2021). By their own accounts, they offset a total of 3.6 million tonnes of CO₂ emissions in 2020.

Objective

To promote and multiply its supporters' long-term commitment, the BMZ converted the Alliance into a charitable foundation in autumn 2020. The BMZ will chair its governing board for the next 10 years. As a foundation, the Alliance can offer its supporters the opportunity to step up their own commitment, including in financial terms, to ensure that it is self-supporting in the long term.

¹⁹Joint lead responsibility with the BMU.

²⁰SDGs 17.16 and 17.17 (multi-stakeholder partnerships).

In the coming years the Development and Climate Alliance wants to attract significantly more supporters to achieve even more climate and development outcomes. The foundation aims to help create a better understanding of the link between development and climate action and to raise international awareness of the approach adopted by the Alliance. The range of high-quality, certified offset projects is to be further expanded.

To support these objectives, the foundation – which has received endowment capital from the BMZ for the first 10 years of its operation, following which it is to fund itself through donations and endowments – plans to engage in the following activities:

- **Educational work** to gain further supporters in the private sector, public administration and civil society as well as private citizens;
- **Research and information provision** to improve the quality of existing approaches with regard to certificates/standards within the Alliance and the link to development;
- **Measures to disseminate and scale best practices** and innovative approaches to help shape the voluntary carbon offset market;
- **Ensuring continuity** through increased efforts, including financial commitments, by supporters within the framework of the foundation;
- **Taking part in international conferences and internationalising/Europeanising** its approach.

In future, the BMZ's engagement is to become **more strongly embedded within the promotion of voluntary carbon markets in select sectors**, such as aviation.

A climate-neutral BMZ – leading by example

The BMZ delivers the largest share of international climate finance of all government departments. As a result, it also needs to take the lead by **reducing its own ecological footprint to a minimum**. In late 2019, the **BMZ became Germany's first climate-neutral federal ministry**. Reduction measures are implemented on an ongoing basis and remaining greenhouse gas emissions are offset in accordance with exacting standards.

The BMZ's long-term goal is to achieve **climate neutrality without carbon offsetting** – that is to become a zero-emissions ministry – **by 2040**. The BMZ also recognises that it has responsibility **beyond its own remit**. Under the **Federal Climate Change Act** (*Bundes-Klimaschutzgesetz*, KSG), the **entire federal administration is to become climate neutral by 2030** and to work towards **organisations under its authority** or ownership becoming climate neutral. The BMZ has already launched this process in organisations within its ministerial remit (incl. the German Development Institute (DIE), the German Institute for Development Evaluation (DEval), Engagement Global (EG) and *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ)). Work is also ongoing with the BMZ's two implementing organisations, GIZ and KfW, to develop approaches to carbon footprinting, the aim being to systematically record, and help avoid, negative climate impacts from projects. Through its involvement in the "Climate-Neutral Federal Administration" process, the **BMZ is also committed to ensuring that the federal ministries set ambitious targets**. The BMZ is the only federal ministry besides the BMU to have been certified according to the EU's strict **Eco-Management and Audit Scheme (EMAS)**. As a result, it is required to continually improve and report on its own environmental performance – including in relation to greenhouse gas emissions – and to be audited by an independent body.

4.2 Area of intervention 2: “Renewable Energy and Energy Efficiency”

Due to its considerable greenhouse gas emissions reduction potential, the energy sector is key to mitigation. At the same time, it has a decisive influence on our partner countries’ sustainable development. A sustainable, needs-based and inclusive energy supply that is fully based on renewable sources and is in line with internationally recognised quality standards and the “leave no-one behind” principle, thus makes a key contribution to achieving climate goals while at the same time enabling socio-economic prosperity.

The technological achievements and price trends in relation to renewables are conducive to the full decarbonisation of the energy supply. However, the lack of energy storage capacities and insufficient grid integration of renewable energy, as well as continuing strong pressure from suppliers of fossil fuels and fossil power plant technology on decision-makers in developing countries continue to prevent the more rapid dissemination of renewable energy and of measures to increase energy efficiency. The BMZ’s “Vision 100” offers its partner countries comprehensive guidance for addressing these challenges.

To ensure that “Vision 100” can be realised by 2050 the BMZ wants to achieve the following goals by 2025: (1) reduce energy poverty in its partner countries and, for example, ensure private households, social facilities and businesses have access to an affordable, reliable and sustainable energy supply; **(2) improve energy efficiency** in the electricity sector, as well as in the construction, industry and transport sectors and thus to **reduce greenhouse gas emissions**; **(3) provide ambitious partner countries with systematic support** when it comes to developing and implementing **transformative energy policies to protect the climate** and

thereby to prioritise those subsectors²¹ which have particularly high transformative impacts. Where possible, action is to be taken to reduce continued dependency on fossil fuels.

Besides expanding renewable energy generation capacities, their successful integration into local electricity markets is key to the success of the energy transition. To that end, the BMZ supports its partner countries in establishing the right regulatory framework as well as investing in modern energy systems, in particular developing and expanding power grids. The same goes for the cross-border trade in electricity and increasing the flexibility of power systems, including through energy storage technologies and digital solutions for demand-side management and grid control.

LTS are drawn up with those of the BMZ’s partner countries which decide to phase out fossil fuels. Such LTS require long-term commitment as well as close cooperation with other donors. The BMZ will in future dovetail global, regional and bilateral projects even more strongly in order to achieve transformative impacts in the relevant partner countries. The BMZ supports the energy transition at all levels based on relevant needs (the basic supply of households and small businesses; the supply of rural communities, businesses and social institutions; or the supply of large centres of consumption such as towns, cities, industry and mining) – either grid-based or via mini-grids or decentralised solutions.

Structural market barriers to expanding renewables at political, statutory or regulatory level are, for instance, addressed by dovetailing bilateral and multilateral instruments in order to create the enabling environment for a needs-based, climate-neutral energy supply. This includes tax and import policy, the regulatory framework, access to capital, mobilising private investment, the requisite interdepartmental coordination in partner countries, and

²¹Grids, power generation and energy access are subsectors.

strengthening other relevant actors, for instance in the private and finance sectors.

Energy efficiency is an integral part of any energy transition in the BMZ’s partner countries. To support this transformation process as best as possible, the energy sector is regarded systematically in conjunction with the transport, industry and building/construction sectors. Sustainable and energy-efficient building will continue to gain in importance on account of rising energy needs in the growing construction and building sector. The Green Cooling approach will be used to shape the rapidly growing cooling sector in a climate-neutral way, and the BMZ’s partner countries are to be supported in integrating cooling and air conditioning in their NDCs and sectoral strategies. Synthetic base materials and fuels, which are being promoted as part of the “Green Hydrogen and Power-to-X Products” initiative area, enable full decarbonisation, for instance in the chemicals and steel industries, as well as of those transport sectors which are difficult to electrify, such as shipping.

Partners and instruments

The BMZ cooperates with the relevant stakeholders at bilateral, EU and multilateral level. The following multilateral institutions are among the BMZ’s closest partners: the World Bank Group, especially the Energy Sector Management Assistance Program (ESMAP), IRENA,²² the International Solar Alliance (ISA),²³ the EU and its European Energy Community, regional development banks and the African Union (AU). Further, international networks such as the Renewable Energy Policy Network for the 21st Century (REN21),²⁴ international initiatives such as Sustainable Energy for All (SE4All), the Africa Renewable Energy Initiative (AREI) and various think tanks play a

key role when it comes to driving forward the global energy transition. The BMZ also cooperates with the Global Covenant of Mayors.

One focus of German development policy in regard to energy is our partner countries and partner organisations in Africa, a continent which has a rapidly growing demand for energy and great potential when it comes to making the energy transition. This is reflected, for instance, in those reform partnerships which have been entered into with particularly development-oriented and ambitious partner countries as part of the Marshall Plan with Africa, as well as within the “Green People’s Energy” initiative area. The BMZ takes up current energy market trends (e.g. falling costs of renewable energy technologies and batteries, and a greater willingness on the part of investors to invest in the energy transition) and at the same time seeks to harness the vast natural resources available and the growing awareness of the positive effects of the energy transition in countries in Africa.

Under the lead responsibility of the European Commission, in the context of the Council Conclusions on Climate and Energy Diplomacy and together with other like-minded EU member states, the German government is working, through the African–EU Green Energy Initiative,²⁵ to assist its partner countries²⁶ in Africa in their energy transitions. The goal is to support an ambitious green energy initiative as part of a joint TEI.

Moreover, great potential exists – mainly beyond the African continent – as regards the energy transition in those countries which currently still have a large share of fossil fuels in their energy mix, growing energy demand, high regional standing and a key role to play in important climate negotiation processes. They are

²²Under the lead responsibility of the BMWi.

²³Under the joint lead responsibility of the BMZ and BMWi.

²⁴Under the joint lead responsibility of the BMZ and BMWi.

²⁵Currently in preparation (as at May 2021).

²⁶See BMZ: Germany’s 2020 Council Presidency, <https://www.bmz.de/en/development-policy/germanys-2020-council-presidency>, for the results of Germany’s EU Council Presidency.

often “**global partners**” of the BMZ which are of strategic importance when it comes to solving global issues which will define our future and protecting global public goods (e.g. India, Brazil and Indonesia). In the field of energy, the BMZ cooperates with these countries at bilateral, multilateral and interdepartmental level and will continue to expand that cooperation where necessary. Together with the EU, the BMZ also supports its partner countries in the Western Balkans region and the EU’s eastern neighbouring countries on expanding the EGD.

At the bilateral level, strategic partnerships play a decisive role in advancing the necessary expansion of energy supply and the global climate agenda through Technical and Financial Cooperation. In countries with a high mitigation potential the BMZ seeks to leverage traditional loans as well as, by providing public budget funding and guarantees, other market instruments, and to use new finance instruments such as PBF. When it comes to investment in the future-oriented fields of transformation and decarbonisation, the BMZ provides grant funding even in countries that normally receive loans, provided that the projects involved are environmental and resource protection measures. **Owing to the complexity of the required transformation process at the social and economic level and the associated high investment requirements, cooperation and combined financing with other donors and the private sector hold great potential in this area of intervention.**

Private investment in sustainable energy technologies is being mobilised both by creating an enabling environment, advising businesses when it comes to preparing bankable investment projects as well as by means of suitable financing instruments. The BMZ uses long-term MSPs and global projects to leverage

additional resources from other donors and the private sector, and to improve the efficiency and increase the visibility of German development cooperation.

Moreover, **close cooperation with the private sector** is promoted through the Agency for Business & Economic Development (AWE), development partnerships and the develoPPP.de programme, the use of structured funds and other blended finance approaches, as well as by delivering long-term capital through the *Deutsche Investitions- und Entwicklungsgesellschaft* (DEG). **Scientific collaborations** are used to promote evidence-based cooperation (strengthening modelling capacities and closing data gaps, feeding data on development trajectories into LTS).

BMZ initiative areas in the “Renewable Energy and Energy Efficiency” area of intervention

The BMZ has two initiative areas in this area of intervention, the aim being to achieve sustainable results within a short time frame.

“Green People’s Energy” initiative area

Across the world, 770 million people are without electricity access. Almost 580 million people in sub-Saharan Africa, around 87 per cent of whom live in rural regions, are the hardest hit.²⁷ Lack of electricity access poses an obstacle to economic development and better living conditions, because an energy supply is an important basis for economic development and establishing economic structures.²⁸

The goal of the “Green People’s Energy” initiative area is to deliver sustainable, decentralised renewable energy to rural regions. It focuses on

²⁷IEA (2020): SDG 7: Data and Projections, <https://www.iea.org/reports/sdg7-data-and-projections>.

²⁸Improving living conditions in rural regions by reducing household factors which are harmful to health (SDG3), broad-based training for locally employed staff (SDG 4), improving working and income conditions for women (SDG 5), delivering basic services (SDG 6 and SDG 9), promoting the productive use of energy (SDG 8), reducing greenhouse gas emissions (SDG 13) and promoting collaboration between institutions in the EU and Africa (SDG 17).

actively involving citizens, municipalities, cooperatives and private-sector investors in developing and expanding renewable energy and its productive use. Germany's energy cooperatives serve as models, since they were leading drivers of rural electrification in the 19th century and are contributing to the success of Germany's energy transition. Women in particular are to contribute to and get involved in this area. Under the **“Energy Self-Sufficient Villages”** component of this initiative area, decentralised production technologies and innovative financing instruments are to be used to give villages, primarily in Africa, access to sufficient power on a sustainable basis. The initiative area was launched in 2019 in nine partner countries in sub-Saharan Africa (Benin, Côte d'Ivoire, Ethiopia, Ghana, Mozambique, Namibia, Zambia, Senegal and Uganda) as part of Financial and Technical Cooperation under the **“Green People's Energy for Africa”** initiative. **It runs until September 2023.**

The **“Green People's Energy”** initiative area focuses on

- **promoting small projects** to improve the energy supply and pilot local approaches to operator models under the Green People's Energy approach;
- **education and training** in regard to renewable energy and its productive use for local value chains;
- **promoting small businesses and social facilities** when it comes to manufacturing and delivering products and services for the productive use of energy on the ground;
- **improving the framework conditions** for financial and political participation in decentralised energy projects;
- **promoting partnerships** and disseminating information to promote local, cooperative and municipal projects;
- **financing and leveraging business investment** for decentralised renewable energy in Africa.

Experience gained in this initiative area will be incorporated into future cooperation on rural electrification with the BMZ's partner countries. Furthermore, the **“Green People's Energy”** initiative area is to generate further impetus regarding the generation of sustainable decentralised renewable energy.

“Green Hydrogen and Power-to-X Products” initiative area

The key factor in the production of “green” hydrogen and its derivatives (Power-to-X (PtX) products) is electricity from renewables. Green hydrogen and PtX products, such as synthetic fuels, are needed to ensure the last steps can be taken to complete the energy transition to a zero carbon energy system, for instance in the chemicals and steel industries as well as in those areas of the transport sector which are difficult to electrify (e.g. aviation, shipping and heavy goods traffic). Most countries can achieve CO₂ reductions of around 70 to 90 per cent without using hydrogen. Hydrogen and PtX are needed to achieve full decarbonisation, though. Green hydrogen and PtX products can thus form the third pillar of the energy transition alongside the other two pillars (expanding renewable energy and increasing energy efficiency).²⁹

Under the German government's National Hydrogen Strategy,³⁰ the energy transition is to continue to be furthered with the help of

²⁹The use of carbon-neutral production processes contributes to sustainable socio-economic development and, further, to achieving climate goals. It can also tap into and use synergies to achieve the SDGs (esp. SDGs 7, 8, 9, 13, 16 and 17). Finally, green hydrogen and PtX products are important alternatives to fossil fuel and open up new economic development opportunities and export markets for partner countries (SDG 17).

³⁰BMWi (2020): The National Hydrogen Strategy, <https://www.bmwi.de/Redaktion/EN/Publikationen/Energie/the-national-hydrogen-strategy.html>.

green hydrogen. Development policy and economic cooperation is one of the cornerstones of the Strategy.

The BMZ aims to promote the establishment of PtX production facilities at almost industrial scale in a few pilot countries. The precondition is that the **initiative area has a clear policy orientation** so as to harness those new development opportunities which arise for the partner countries and for a structured energy and climate transition. That means that local potential but also any associated risks need to be identified, local capacities for creating the technological and regulatory conditions need to be built and strengthened, value chain-based and market economy-oriented strategies need to be launched in cooperation with interested partner countries and private-sector innovative capacity and investment power need to be utilised. Collaborating with multilateral donors in this area is another option which is being examined.

Those partner countries which have particularly favourable natural and political conditions for green hydrogen production play a particular role in this – including some partner countries in northern African and some countries in other regions of the world.

The BMZ, working closely with the BMBF, draws up what are known as “potential atlases” based on which the conditions for producing and using green hydrogen in its partner countries can be systematically analysed and then supported. These “potential atlases” form the basis for planning and implementing green hydrogen and PtX projects. The BMZ supports relevant production facilities in Morocco and will in future be doing so in some of its other partner countries in order to contribute to decarbonising the economy, creating qualified employment, increasing export revenues and delivering a better energy supply.

In emerging economies and developing countries in particular, though, attention must be

paid to ensuring that the energy-intensive production and, possibly, export of green hydrogen does not go to the detriment of the often still insufficient local energy supply and that no incentives are created for investment in additional fossil or nuclear power generation. Given the interactions between what are complex ecosystems, negative consequences for natural resources are to be avoided in this initiative area and the area of intervention as a whole (land/water grabbing; water–energy–food nexus). The BMZ will, therefore, support the development of the relevant strategies to safeguard environmental sustainability and the appropriate use, in climate-policy terms, of green hydrogen and PtX products in its partner countries.

4.3 Area of intervention 3: “Sustainable Urban Development”

The BMZ pursues an integrated urban development approach in order to foster cities which are sustainable, climate-neutral, resilient and liveable, thereby contributing to mitigation and adaptation and to the implementation of the 2030 Agenda. The key to this is **to identify what urban development must and can contribute to achieving climate and development goals and to consistently support that contribution.**

Central to the BMZ’s activities in that respect are **decentralisation and integrated planning approaches with wide-ranging participation of the local population as a contribution to good governance.** The potential available in the informal sector and in informal settlements is also to be addressed in a targeted manner. Account is taken of both peripheral urban areas and the interdependencies between urban and surrounding areas. Cities are enabled to use demographic change and migration to build socially vibrant and economically successful urban centres. Targeted use is made of the opportunities presented by the digital transformation in relation to urbanisation and better governance.

Reform-oriented cities capable of effective action form the foundation for sustainable urban development. That is why the BMZ's support for planning, financing and implementing relevant measures already begins when cities are still in the early stages of rapid growth. On the one hand, cities are to be enabled to intelligently **plan** land use and basic services. This calls for the relevant mandates at national level, better planning, institutional and staffing capacities, as well as transparent governance and opportunities for participation for all, in particular marginalised population groups. On the other hand, municipalities' capacities for effective action are to be **further strengthened through sufficient funding from local revenue, financial transfers from the national level and access to capital markets.** Innovative approaches to financing such as cooperation with local and regional development banks, local currency loans and structured funds are gaining increasing importance in this context. Debt and budget management, financial control and public investment management are addressed to that end.

When it comes to curbing greenhouse gas emissions and resource consumption and making cities both more liveable and climate-neutral, particular attention in this area of intervention is paid to mobility, the built environment, waste management and circular economy. Measures in other sectors with considerable thematic crossovers, such as **energy** and **urban water management**, contribute to this and are also implemented in this area of intervention.

When it comes to the construction, operation and use of buildings, the BMZ helps its partners to tap into the enormous climate and environmental potential of the built environment. By increasing energy efficiency, introducing innovative production processes, using local, sustainable construction materials and

value chains, as well as by using nature-based solutions, the aim is to achieve the necessary emissions savings of 80 to 90 per cent and to boost resilience to the consequences of climate change. A sustainable built environment must be linked to suitable utilisation concepts, for example in the housing sector and in relation to green urban spaces.

Through foresighted urban and transport planning, German development policy supports the “compact city”, or “city of short distances”, approach which provides all residents with mobility and access to employment opportunities, services and social participation, keeps the air clean and protects the climate. In consequence, the BMZ will achieve reductions of some 7 million tonnes of CO₂ in the transport sector by 2025.³¹ The **Transformative Urban Mobility Initiative (TUMI)** supports the global transport transition towards climate-neutral, environmentally friendly, inclusive, safe and affordable mobility for all. The BMZ is active in the following areas: promoting local public transport; active mobility (walking and cycling); integrating various means of transport; and climate and environmentally friendly mobility technologies, such as e-mobility. To that end, German development policy works with international partnerships and alliances, promotes integrated transport systems in its partner countries, trains transport planners and promotes innovation, for example by making use of the diverse opportunities afforded by digital technology and networking with the mobility industry.

The BMZ promotes the establishment and expansion of a functioning waste management system and circular economy. The aim is to respond to the further increase in global municipal waste (forecast to be 70 per cent by 2050) and to reduce the expected increase in greenhouse gas emissions in the waste sector from 1.6 to 2.6 bil-

³¹ Estimate based on KfW statistics for 2016 to 2021 on outputs and impacts achieved.

lion tonnes of CO₂e per year.³² Besides basic waste collection, treatment and disposal, the BMZ is increasingly involved in supporting waste avoidance in production, consumption and trade. Businesses need to be integrated into sustainable supply chains in which more secondary raw materials are used, future-proof business models are established and fair employment opportunities are created. Extended Producer Responsibility approaches are gaining in significance, with a view to realising a resource-friendly circular economy and avoiding waste from the very outset by strengthening the “polluter pays” principle. Simultaneously, incentives to prevent waste are strengthened. One of the BMZ’s priorities is supporting its partner countries in reducing the discharge of waste into the sea. Through the **PREVENT Waste Alliance** the BMZ is promoting exchange and international cooperation between organisations in business, academia, civil society and public institutions with a view to realising a circular economy in its partner countries.

Municipalities’ fiscal room for manoeuvre will narrow in the coming years owing to the macroeconomic impact of the COVID-19 pandemic. At the same time, applying the Recover Forward approach when responding to the pandemic affords the opportunity to build more resilient and high-quality infrastructure and improve urban basic service provision so as to avoid burdens on the environment, climate, health and the economy. Nature-based solutions offer a sustainable alternative or complement to technological approaches.

Partners and instruments

Urbanisation takes on different forms across different regions. In Africa particularly – though not exclusively – urban planning and development face specific challenges in rapidly growing secondary and medium-sized towns and cities and provide the opportunity to leapfrog onto a sustainable development

trajectory. That is another reason why the BMZ focuses on cities in Africa in particular. They often have only few financial resources and low technical or management capacities. In bilateral Financial Cooperation, especially grant funding is needed. In comparison, many towns and cities in middle-income countries in Asia and Latin America are comparatively better placed in terms of their financial resources, although they face huge urban environmental problems while at the same time having great greenhouse gas reduction potential. The BMZ would like to further strengthen these partner countries’ existing innovative potential and progressive sustainable urban planning approaches by means of (concessionary) bilateral loans and multilateral cooperation, city networks, MSPs and municipal partnerships. Market-based development instruments are used to draw countries in the Western Balkans region closer to EU standards.

The BMZ uses bilateral Technical and Financial Cooperation to support its partner countries in creating an enabling regulatory and fiscal environment for sustainable development in their cities. High international social and ecological standards are thereby applied. Local and regional governments are playing an increasingly important role in this respect, as it is they which are responsible for implementing sustainability and mitigation and adaptation at local level, and are thus taking on more and more of a leadership role in that regard. During crises such as the COVID-19 pandemic and in their response to extreme weather events and natural disasters they have proven to be both flexible and willing to take effective action. In order to encourage them to take on this role, **German development policy cooperates directly with towns and cities and associations of municipalities such as Local Governments for Sustainability (ICLEI) and C40, as well as with non-governmental networks such as the SLOCAT Partnership on Sustainable, Low**

³²World Bank (2018): What a Waste 2.0, <https://openknowledge.worldbank.org/bitstream/handle/10986/30317/9781464813290.pdf>.

Carbon Transport (SLOCAT Partnership).

Regional organisations and associations are also important knowledge carriers and cooperation partners. German development cooperation brings its own **partnership initiatives** to bear in existing networks of donors, governmental actors, civil society and science. Examples include the TUMI, the PREVENT Waste Alliance and the CFF. German municipalities can make a contribution at international level by cooperating directly with municipalities in the BMZ's partner countries (e.g. through twinning).

Multilateral institutions, particularly development banks and UN organisations, are key partners of German development cooperation in this area of intervention. Policy-steering bodies (e.g. within UN-Habitat and the Cities Alliance), as well as initiatives such as Action towards Climate-friendly Transport (ACT) help to strengthen the role of sustainable urban development and the relevant portfolio in the work of these institutions. Financing for sustainable urban development is leveraged in cooperation with multilateral development banks by improving framework conditions and creating investment incentives. Further, the BMZ uses multi-donor trust funds to provide cities with better access to finance.

In the context of national, EU and international bodies, German development policy aims to ensure that sustainable, climate-neutral and liveable cities are put on the agenda and binding rules are agreed when it comes to their development. At the national and EU level, the BMZ is involved in processes and legislative procedures whenever these are expected to have an impact on its partner countries' development (e.g. the EU's Circular Economy Action Plan and the New Leipzig Charter for Urban Development). Impetus from the EU (such as the EGD and the Circular Economy Action Plan initiative derived from it) is used to raise mitigation and adaptation ambitions within the BMZ portfolio and to strengthen the cooperation between German and EU development policy players. Within international formats such as the Framework Climate Convention, the World Urban Forum and global platforms (e.g. the Platform for Accelerating the Circular Economy (PACE) and the EU's Global Alliance), German development policy aims to ensure that sustainable, climate-neutral, resilient and liveable cities are firmly embedded in international agreements (e.g. the New Urban Agenda and the Sendai Framework for Disaster Risk Reduction).

5 Measuring success

Monitoring results³³ using programme and module objective indicators is central to the operative controlling of development cooperation programmes and modules in the core area “Responsibility for Our Planet – Climate and Energy”. Attention must be paid to ensuring that those objectives which are set down in country strategies and development cooperation programmes are closely aligned with the objectives set in this Strategy. Where pertinent and possible, data are to be disaggregated according to key categories such as age, gender and poverty status.

The BMZ’s activities in the core area “Responsibility for Our Planet – Climate and Energy” also include its active involvement in the work of the committees of multilateral funds and initiatives. As part of these efforts, the BMZ also works towards ensuring that **results are systematically monitored** there, too.

Moreover, standard indicators which can be aggregated are to be used to record results at the module level across programmes and projects in order to further improve the means available for communicating the results achieved through German development cooperation. For the three areas of intervention, the following standard indicators will be used:

1. Volume of reduced or avoided greenhouse gas emissions [in tonnes of CO₂ equivalent]
2. Number of people receiving direct assistance in coping with the consequences of climate change

3. Number of people who have gained access to modern energy for the first time, or gained improved access to modern energy
4. Installed capacity [MW] of renewable energy for power generation that has been installed additionally
5. Electrical energy [MWh_{el}] or thermal energy [MWh_{th}] savings
6. Number of people in urban areas benefiting from new or improved sustainable basic supply, infrastructure or services

The Core Area Strategy “Responsibility for Our Planet – Climate and Energy” is set to be reviewed and evaluated approximately one year prior to the end of its term (i.e. autumn 2024) as part of a process of reflection. Besides a comprehensive cross-cutting review, relevant individual issues will, where necessary, also be examined in the context of the three areas of intervention. Gaps in knowledge will need to be precisely determined and the focus placed on partners’ needs so as to be able to even better dovetail the interplay between complex local causal chains and the specific outcomes and impacts of German development cooperation.

³³According to the OECD’s official definition, “results” refers to the outputs, outcomes and impacts of a development cooperation measure. “Outcomes” are short- and medium-term effects, “impacts” longer-term effects.

6 Glossary

Circular economy

The aim in a circular economy is to retain the value of products, materials and resources for as long as possible by reintroducing them into the product cycle at the end of their life while minimising the generation of waste. The circular economy encompasses all the stages of resource management, from resource extraction to product design and manufacturing to sale, consumption, recycling and recovery.

Climate neutrality

Refers to the balancing of greenhouse gas emissions and the absorption, by carbon sinks, of greenhouse gases in the atmosphere. To achieve net zero emissions, all global greenhouse gas emissions must be offset through carbon sequestration. A carbon sink is a system which absorbs more carbon than it emits. The most important natural carbon sinks are soils, forests and oceans.

Climate resilience

Resilience (see below) to the impacts of climate change.

Climate risk analyses

Analyses which describe existing and future climate risks, and identify possible adaptation measures, for instance in the fields of agriculture and urban development. They also investigate the economic impacts of climate change by conducting cost-benefit analyses of concrete adaptation options.

Energy transition

The transformation and, possibly, the necessary expansion of an energy system as per the 2030 Agenda and the Paris Agreement in order to provide access to a sufficient, climate-neutral and sustainable energy supply for all.

Extended Producer Responsibility

A concept which has been debated in Germany since the 1990s. Product responsibility in waste management terms means that producers continue to bear responsibility for their products even when they end up as waste. This in particular concerns the return and use of products. The aim is to create incentives for producers to already avoid waste during their production processes. Environmentally-friendly recycling and disposal at the end of a product's life is to be safeguarded, too.

Global climate

Consists of the atmosphere, hydrosphere, biosphere and geosphere and the interactions between them.

Green hydrogen

Hydrogen which is produced using only renewable energies.

Green Power-to-X (PtX) products

“PtX” refers to hydrogen derivatives, which can either be non-carbonated (e.g. ammonium) or carbonated (e.g. synthetic aircraft fuel). PtX products are labelled “green” when only green hydrogen is used in their production and any necessary carbon is extracted entirely from the air or biomass.

Green recovery

Encompasses a package of environmental, regulatory and tax reforms which serve to ensure that the return to prosperity following the COVID-19 pandemic adheres to the principles of environmental sustainability. The term is used worldwide to describe the benefits of proactive and integrative policies which combine economic recovery with mitigation and resilience-building strategies. It thus includes ecological aspects of the BMZ’s social as well as ecological Recover Forward approach.

Inclusive

Refers to the inclusion or involvement of people in society.

InsuResilience Global Partnership

This leading global partnership is committed to expanding climate and disaster risk financing and insurance solutions. Germany is (as at May 2021) the Partnership’s largest supporter, contributing some 670 million euros.

Integrated urban development

Refers to the need to adopt an integrated, not a sectoral, approach to shaping planning processes. That means, for instance, that settlement structures, transport, the environment and social concerns need to be incorporated into urban development. It also requires the involvement of several governmental levels. The goal is to enable sustainable neighbourhood development in a context in which the conditions in and requirements made of urban areas are changing ever more rapidly.

Leapfrogging

The process of skipping certain technological stages which other countries may have passed through or will pass through in their development processes. Examples include digital mobile technologies, drones for use in precision agriculture and decentralised renewable energy systems which deliver power in off-grid rural regions.

Liveable cities

Cities with a high quality of life. Their built and natural environment influence residents’ quality of life on account of aspects such as safety and security, connectivity, climate and environment, access to urban services, recreation and culture. Cultures and individuals have different ideas of how these criteria influence quality of life.

Long-term strategies (LTS)

Article 4 of the Paris Agreement provides that, in order to achieve the long-term temperature goals, global greenhouse gas emissions must peak as soon as possible and then must be reduced to net zero by the second half of the century at the latest. All the Parties to the Agreement must strive to formulate and communicate LTS to meet this goal.

Megacities

Very large cities, typically with more than 10 million inhabitants. In 2018 there were 33 megacities. By 2030 there are likely to be 43.

National Adaptation Plans (NAPs)

A tool which countries use in their systematic medium- and long-term adaptation planning. All sectors and regions should be included and current and future risks pointed up when drawing up NAPs. They help countries set their programme and policy priorities to increase resilience and avoid damage.

Nationally Determined Contributions (NDCs)

The Parties to the Paris Agreement all pledged to formulate and implement national climate goals. NDCs are meant to be revised every five years and to gradually become more and more ambitious.

Nature-based solutions

Solutions which are inspired and supported by nature, are both cost-effective and have ecological, social and economic advantages, and contribute to mitigation and building more resilience.

NDC Partnership (NDCP)

The NDCP was initiated jointly by the BMZ and the BMU in 2016. Its objective is to ensure that developing countries and emerging economies are better able to align their national climate and development goals and to coordinate their implementation with the help of bilateral and multi-lateral donor programmes.

Recover Forward

An approach (cf. “Build Back”) to socially and environmentally sustainable recovery following the COVID-19 pandemic which is consistently aligned with the 2030 Agenda and the Paris Agreement. “Green recovery” refers to the environmental component of this approach.

Renewable, or regenerative, energy

For instance, solar energy, wind energy, biomass energy, geothermal power and sustainable hydropower.

Resilience/climate resilience

The ability of social, economic and ecological systems to deal with a dangerous outcome or trend or with a disturbance by responding or reorganising themselves in such a way that their key function, identity and structure is retained and their ability to adapt, learn and transform is simultaneously maintained.

Sendai Framework for Disaster Risk Reduction 2015–2030

A voluntary UN agreement whose objective is to reduce disaster risks. It focuses on creating a better understanding of disaster risks, enhancing disaster preparedness, building back better in recovery and investing in disaster risk management. One specific focus is on good governance approaches which improve disaster risk management across all the relevant sectors through institutions, mechanisms and the policy and legal framework in order to enable decision-making based on information about risks and thus to boost resilience.

Sustainable

Sustainability has been defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs, and describes a state where a balance is struck between social, economic and environmental concerns.

Systematic adaptation

When individuals, groups, organisations and societies adapt and adjust structurally to actual or expected stimuli and their effects in order to avoid potential damage. It can be reactive or proactive.

Transformation

Changing the basic features of a system, including value systems, regulatory, legislative or bureaucratic regimes, financial institutions, and technological or biological systems.

Transformative climate portfolios

Climate portfolios which substantially support the transformation towards mitigation and/or adaptation.

Vulnerable Twenty (V20)

The group of ministers of finance of the Climate Vulnerable Forum (CVF), an international partnership comprising 48 countries which are the most severely affected by the consequences of climate change. The V20 seeks to tackle global climate change through dialogue and action.

7 Annex

Vision 100 – Starting point, objectives and implementation principles

The world faces two key challenges. Global energy demand is set to double by 2050 and will need to be met in a sustainable manner in line with the 2030 Agenda. At the same time, under the Paris Agreement, global CO₂ emissions need to be reduced on an unprecedented scale in order to achieve climate neutrality by 2050. Solutions are already available, but they need to be implemented more quickly and on a broader scale.

“Vision 100” is a call to adopt an ambitious climate and energy policy and for the donor community and partner countries to engage in concerted action so as to pave the way for a fundamental energy transition in the coming three decades. “Vision 100” represents a new guiding principle for Germany’s international development cooperation in the field of climate and energy. It has two core objectives:

- **100 per cent needs-based energy access by 2030 and**
- **100 per cent net decarbonisation in all energy-related sectors by 2050.**

“Vision 100” calls for a fundamental change in the way in which decisions are taken in the energy sector. It has four basic principles:

- **Focus on the end goal:** The two core objectives provide medium- to long-term orientation from which all current strategies, measures and projects in the energy sector

are inferred. All current measures in the core area should be in line with the “Vision 100” core objectives. Energy planning which is aligned with long-term climate action strategies and is based on the “Vision 100” core objectives must support policy decision-making.

- **Fundamental change:** Energy systems worldwide need to undergo a fundamental transformation. Massive investment in energy efficiency, renewable energy, future-proof power grids and efficient energy storage are key to that. The use of fossil power plants needs to be reduced as quickly as possible and using gas as a transitional fuel must be critically reviewed to avoid lock-in effects and stranded assets. At the same time, transitional processes in the energy transformation must be made socially equitable (“just energy transition”).
- **Integrated approach:** All energy-related sectors (e.g. power supply, heating, cooling, industry and transport sectors) need to be incorporated into a comprehensive approach. Account must be taken of cross-sectoral interdependencies, and the opportunities afforded by sector coupling and the electrification of coupled sectors (e.g. transport) need to be utilised. Energy and climate must form part of an integrated approach and must be dovetailed with cross-cutting issues such as urban development.

- **Concerted action:** Massive private- and public-sector investment is needed to bring about the necessary change. This requires a joint effort by donor and partner countries as part of a coordinated, integrated approach. Ambitious goals set by partner countries (as reflected in NDCs and SDG 7 implementation) must lead to ambitious, long-term support from donors in order to close the gap between goals and actual implementation. Targeted donor coalitions and the dovetailing of bilateral and multilateral approaches must be used to pool resources to support ambitious partner countries in implementing the energy transition and to help them achieve ambitious climate action goals.

PUBLISHED BY THE

Federal Ministry for Economic
Cooperation and Development (BMZ),
Division 420

AS AT

July 2021

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