

KfW SUSTAINABILITY INDICATOR 2012: ENVIRONMENTAL, SOCIETAL AND ECONOMIC PROGRESS

Executive Summary

The KfW sustainability indicator calculated by the KfW Bankengruppe provides quantitative information on the progress of sustainable development in Germany. It looks at the three dimensions of sustainability – the economy, the environment and social cohesion – and illustrates their development over the course of time. The most important results are as follows:

- The KfW sustainability indicator 2012 shows positive development for the reporting year 2011 in all three dimensions: Economy, Environment and Social Cohesion. The overall score exceeded the previous year's results and produced the best performance of the last six years.
- The positive development aligned across all three dimensions of sustainability sends an important message: strong economic development needs not necessarily be to the detriment of the environment or social cohesion.

Economy remains at a high level

- In terms of sustainability, the German economy was decidedly positive in the reporting year 2011, thus seamlessly continuing the positive development in recent years. The group score in the Economy dimension continued to improve a further 0.1 points to 0.9 score points. This means that the development in that area in 2011 was considerably greater than the average of the past ten years. This highlights the fact that, overall, Germany has retained sound structures that help improve the country's future viability or regained these structures by way of reforms.
- The government debt ratio, which fell slightly from 2010 but remains very high, shows the effects of the financial market and Euro crisis. However, one success in 2011 was investing in the future of Germany. This is highlighted by the positive trends in the development of human and physical capital and innovations.

Energy turnaround has a positive effect

- The Environment dimension also displayed positive trends in 2011: The group score rose by 0.2 to reach 0.5 score points. The German “Energiewende”, consisting of the Federal Government’s energy concept from late 2010 and the nuclear phase-out in 2011, is already starting to manifest itself: trends in the key areas of climate protection, renewable energies and energy consumption are significantly improving.

- In contrast, there was no improvement in the key area of biodiversity: The underlying basic indicator of the development of selected types of birds continued at the historically low level.

Falling unemployment helps participation and integration

- The group score for the sustainability dimension Social Cohesion jumped 0.6 score points in 2011, following on from the score of 0.0 in 2010. This is the most significant increase across all three dimensions.
- The improvement is essentially due to positive tendencies in fundamental conflict areas in society. The positive economic development enabled a further reduction in what is already a very low level of long-term unemployment for the entire economically active population. There were also successes in terms of integrating foreign nationals living in Germany into the labour market. The unemployment rate for foreign nationals dropped at an above-average rate.
- Furthermore, positive advances were reported in the key area of education and participation in politics, measured in terms of subjectively estimated interest in politics.