Chapter 7

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THE KFW AND COVID-19: COORDINATING PUBLIC FINANCE RESPONSES AT HOME AND ABROAD

The KfW is a German public development bank with decades of institutional history and substantial financial capacity. When the Covid-19 pandemic hit Germany, the KfW formed part of the Government's coordinated financial response, collaborating with public authorities to deliver rapid and substantial support at home and abroad. In this moment of crisis, the KfW has made use of its accumulated resources and expertise to facilitate a pro-public response. The KfW offers important lessons about the importance of building up public banking capacity and about having the democratic structures in place to mobilize public banks in the public interest.

INTRODUCTION

Germany is often singled out in the media as having, by and large, coordinated a successful response to the Covid-19 pandemic. Its first confirmed coronavirus case was in Munich on February 27, 2020 (Wieler et al. 2020). The outbreak was not unexpected, given what was happening in China and Italy, and plans were already underway to begin dealing with the novel virus threat. By the end of February, Germany reported 26 confirmed cases, and travellers from high-risk countries like China and Italy were required to provide contact details. Over the next month or so, gatherings of more than 1,000 people were banned, EU borders were closed to non-EU citizens, and anyone coming into Germany was required to quarantine for 14 days. Between mid-March and mid-April 2020, confirmed Covid-19 cases spiked, peaking at just over 6,000 a day (a number well below other EU peaks) before falling to less than 1,000 per day by late April and early May.

According to German health experts, ample and effective public health authority capacity and facilities underpinned the country's coordinated strategy of *prevent* (through data, analysis and crisis management), *detect* (through scaled up testing), *contain* (particularly by limiting transmission to long-term care facilities) and *treat* (made possible because of existing hospital and intensive care unit (ICU) capacity and because healthcare workers had adequate protective equipment) (Wieler et al. 2020). Germany also reached out and collaborated with France, Italy and the Netherlands to pre-order 300 million doses of an in-development Covid-19 vaccine (Varagur 2020). In consequence, most Germans look favourably on the Government's coordinated response. According to one survey, over 70% of respondents stated that "Berlin's coronavirus policies were 'more democratic than undemocratic, more fair than unfair, more competent than incompetent'" (Rahn 2020). Indeed, one gets the sense that in German state authorities put the public interest first in how it sought to manage the Covid-19 crisis.

Having managed the immediate health crisis, however, is by no means the same as averting the economic crisis. As is the case everywhere, the German economy and people's livelihoods were dramatically and suddenly impacted by the lockdown measures designed to contain the spread of Covid-19. In response, two supplementary budgets were penned authorizing additional fiscal spending of €156 billion (4.9% of Germany's Gross Domestic Product – GDP) in March

2020 and another €130 billion (4% of GDP) in June 2020 (IMF 2020). The Government funds were (and are) destined for healthcare provisioning, vaccine research, financial supports for students, workers and families, grants for small businesses and the self-employed, and expanded unemployment benefits. The Government funds also provided for various bank credit guarantees, as well as green investment and digitalization subsidies to support economic stabilization and recovery. Within this flurry of economic crisis and public finance responses, the German public bank, the KfW, has assumed a central role in Covid-19 crisis recovery, both at home and abroad.

THE KFW AS A DYNAMIC PUBLIC BANK

The KfW (Kreditanstalt für Wiederaufbau, or 'Credit Institute for Reconstruction') is a public development bank (or 'promotional' bank in EU terminology). It was founded in a time of crisis, in 1948, as an institutional vessel meant to manage post-World War II reconstruction funds coming to Germany via the US Marshall Plan (hence, 'reconstruction' in its name). Over the decades, the KfW has expanded significantly and evolved dynamically (Marois forthcoming). As a development bank, it does not maintain a branch network (as it does not accept personal deposits) but it has acquired a network of 80 offices within Germany and around the world. It had 6,705 employees in 2019.

Housed in a high-income advanced capitalist European country, the KfW has grown to be one of the world's largest public banks (Hubert and Cochrane 2013; Moslener et al. 2018). According to Orbis BankFocus, an online database for all banking institutions, the KfW had assets totaling US$569 billion in 2019. This makes the KfW the 89th largest bank in the world, out of some 32,000 public and private institutions, and the 15th largest public bank, out of 910 public institutions, with more than twice the total assets of the World Bank.

Unlike the overwhelming majority of private banks around the world, the KfW is by mandate not a profit-maximizing bank. That is, it has not built up its current mass of public financial capital by ruthlessly pursuing financial returns, as so many of the so-called too-big-to-fail corporate banks have done. This does not mean it is a loss-making bank. The KfW has an average return on assets (ROAA) of 0.35% (between 2012 and 2019) (whereas many private banks average 1-2% ROAA). In turn, this netted the KfW an annual average profit of US$2.10 billion over this same period, which are then recycled back into the bank's reserves to be used for further lending (Marois forthcoming). The point is that public policy and political direction, not profit maximization, are at the core of the bank's institutional persistence and functional orientation (Deeg 1999; Naqvi et al. 2018). In the words of one KfW Regional Manager, the rationale of public banks are to do 'public tasks' (confidential interview, online, October 12, 2020). Despite *not* being oriented towards profit-making, neoclassical economists and neoliberal advocates nonetheless (absurdly) insist on assessing public banks on how their profitability levels stand up against other profit-maximizing private banks (see La Porta et al. 2002). For those knowledgeable about the public banking sector, this ideological grafting of private accumulation logics onto all public banks, regardless of context, is nonsensical (Schmit et al. 2011, 104):

> This wide range of underlying economic rationales [of public financial institutions in Europe] renders meaningless most performance-based analyses of public sector banks, since all that such analyses measure is financial performance (which presupposes the overriding aim of profit maximisation), neglecting all other kinds of objectives pursued by public financial institutions.

There are other ways of operating than according to private performance measures. In this the KfW is a decidedly 'public' and 'dynamic' bank, both quantitatively and qualitatively. It is firmly situated within the German public sphere, being legally owned by the Federal Republic of Germany (80%) and by the federal states (20%). At the same time, the KfW is run according to public law, not private (specifically, the *Law Concerning KfW*). The public purpose of the KfW is represented in its mandate, which is to provide for the "sustainable improvement of the economic, social, and ecological conditions of people's lives". This mandate and the bank's operations are mediated by German Government ministries and their political priorities and by the bank's own governing Board, which together constitute a representative democratic form of institutional governance (see Hubert and Cochrane 2013; Marois 2017). Importantly, KfW's Board is broad-based and legally-defined. By law, the Board has 37 members: it is co-chaired by the Federal Ministers of Finance and Economic Affairs and Energy in rotation plus 35 further members drawn from German society. These include 14 appointments divided between the German Bundestag (Lower House) and Bundesrat (Upper House) and five more federal government ministers. The mortgage banks, savings banks, cooperative banks, commercial banks and business credit institutions each have a representative on the KfW Board, as do German municipalities, agriculture, crafts, trade and housing associations. The KfW Board membership is rounded off by representatives from four trade unions and two from industry.

As the KfW is located within the German public sphere, it can be shielded from direct exposure to market-based and financialized operational imperatives. A key element to this market shielding is the German state's formal guarantee of the KfW's stability, which translates into a very strong credit rating as the likelihood of default on monies borrowed is seen as remote by market actors (S&P AAA). This helps the KfW enjoy preferential access to global financial markets and receive the lowest possible interest rates. In the current low rate environment, this can mean borrowing near, at and even below 0% interest rates (that is, the KfW has borrowed long-term debt with negative yields) (Ramnarayan 2019). Indeed, KfW government-backed debt is often regarded as a proxy for German 'bunds' (government bonds). This is important as most incoming sources of KfW capital now come via bond issuances in global markets (in addition to the year-on-year build up of retained earnings) (Naqvi et al. 2018, 681-82; KfW 2019, 12-13). As part of its public mandate, the KfW then passes on such financial advantages through the public sphere to its mandated 'promotional' lending. The spread between what the rate KfW borrows at and lends at is determined both by mandated lending programmes and by the need to be financially 'sustainable' (that is, to cover operating costs and lending losses).

In its more than seven decades of operation, the KfW has been anything but a static financial institution. In its first decades of operation, it moved beyond its initial post-World War II reconstruction role to involve itself in foreign aid operations and to situate itself as a cornerstone of German domestic and export-oriented industrialization, particularly by supporting small- and medium-sized enterprises (SMEs) (Deeg 1999; Moslener et al. 2018). The KfW would go on to play a central role in German reunification and acquire a catalytic hand in German energy transition.

None of these institutional changes come without challenges, conflict and contradictions (Marois forthcoming). On the one hand, for example, KfW industrial lending has grown significantly and has been geared towards accelerating domestic growth, thus underpinning German economic expansionism (Naqvi et al. 2018). On the other hand, German society is increasingly conscious of the environmental impacts of endless industrial growth, demanding that the KfW be more 'green' and ensure reductions in carbon emissions (*cf.* Angel 2017; Paul 2018). The KfW attempts to balance these often-competing demands. Currently, about 40% of all lending helps to reduce carbon (although 60% continues to carbonize the environment) (KfW 2017, 2; KfW 2019, 3). In recognition of such 'green' changes, however incomplete, the KfW is seen as an industry leader in environmental financing (Ervine 2018, 149-51). Still, at times KfW operations have caused controversy, including over costly subsidies (as with its early promotions of solar panels for households) or in the operational mismanagement of its subsidiaries (such as the IKB financial scandal in 2008). No one should ever suggest that public banking is easy or that it should not be constantly held to account by the public.

The KfW nonetheless demonstrates that pro-public change is possible, even within the structural constraints of neoliberal financialization. In greening itself, the KfW has found innovative ways of connecting to the German public at a local level. For example, the KfW Energy-Efficient Urban Rehabilitation programme targets energy transitions within towns and cities and through municipal entities and not-for profit institutions with energy-efficiency refurbishment loans for buildings (Bach 2017). This programme has a distinctly public-public character, with over €700 million in financing directly supporting municipal energy efficiency retrofitting. Indeed, such public programme lending reflects the vision of public banks in Germany. The Association of German Public Banks (AGPB) writes that acting "on behalf of public authorities they [public banks] perform tasks that support political goals" (AGPB 2014, 3). This is reflected in KfW's own mandate, which states that it provides "financing with a public mission" (KfW 2019b, 4). This public mission includes both public and private sector support, to the exclusion of neither. The KfW is not without its problems but it has, nonetheless, found ways and acquired institutional patterns that suggest an enduring level of societal credibility that enable it to persist and reproduce itself in the German context.

The KfW thus reflects four dimensions that can help us think about the bank as a 'public' and 'dynamic' bank.[1] First, it is firmly located within the public sphere through ownership, control and

[1] These four dimensions are more fully explained in a forthcoming book-length monograph (Marois forthcoming). A key feature of this rethinking is to avoid ascribing to public banks any essentially 'good' or 'bad' characteristics because of their being publicly-owned. Instead, it is far more important to empirically and historically focus on what public banks do and why. This means examining how contentious social forces in society struggle to make and remake public banks over time.

legal mandate. Second, it performs banking functions that, as and because they evolve over time, suggest that the KfW has no innate purpose or essential policy orientation. The KfW, in other words, is made and remade by social forces over time and in the context of Germany. Third, the KfW functions in public and private interests, responding to needs within the public sector and to those in the private sector. The balance or imbalance of this functioning is the result of competing interests over what the bank does. This too suggests that there is nothing innate or essential to being 'public' as each bank will acquire different orientations and functions depending on the power relationships in which it is embedded.

Finally, the KfW persists as a credible, contested and evolving institution, meaning it will always be subject to the pull of competing and class-divided interests so long as it exists and persist as an institution within capitalism. This framing provides a sober understanding of the KfW as a public bank. It grafts nothing essentially negative or positive onto the institution by virtue of merely being 'public' but focuses attention on how it is made to function institutionally. The bank is understood as perennially open to dynamic change, potentially progressive and potentially oppressive, as a result of social forces making it so in time- and place-bound historical circumstances in capitalism. The KfW, and public banks generally, are already unavoidably contested, and therefore dynamic, institutions (and those concerned with a green and just transition ought to recognize this). This more open way of thinking about the KfW can help us to give some context to its Covid-19 support at home and abroad.

DOMESTIC COVID-19 SUPPORTS

As a domestic response to the impact of Covid-19 in Germany, the German Government tasked the KfW with expanding its credit offerings and guarantees for all sizes of firms, credit insurers and non-profit institutions, thus increasing the total volume of KfW lending by “at least €757 billion (24 percent of GDP)” (IMF 2020). According to the International Monetary Fund (IMF), such lending may include “facilities for public equity injection into firms with strategic importance.” In the first half of 2020, “KfW’s financing volume more than doubled as a result of coronavirus aid programmes” (KfW 2020b). The German Government at the same time relaxed national financial regulatory requirements so that KfW-backed Covid-19 support loans given out by other financial institutions would not negatively impact their leverage ratios or exposure limits. Local and regional governments in Germany likewise provided additional financial supports to their own state and municipal public banks to support recovery.

KfW action was first initiated on March 11, 2020, when Chancellor Angela Merkel announced that the Government would do whatever it took to address the Covid-19 crisis. The KfW was key to the Government’s strategy, particularly in terms of the German Economic Stabilisation Fund (FRGFA 2020). On March 23, 2020, Federal Minister for Economic Affairs and Energy Peter Altmaier made the following statement (FMF 2020):

> It is now important to help companies quickly and without red tape. An important element here is to provide access to liquidity. The improved financing conditions set out in the KfW Special Programme 2020 will help to significantly support the economy in this respect. Applications will be processed quickly and without undue bureaucracy. Payments will be made as quickly as possible because we know that, for many enterprises, every week counts.

No doubt behind the scenes discussions had been underway between the KfW and the Government in the preceding weeks. Just prior to this announcement, Finance Minister Scholtz had said that the KfW would receive a €100 billion loan to support the programme lending being asked of it by the Government (Chazan

2020). Moreover, the Government announced that, with official backing, the KfW could lend without limit to businesses in trouble (Chazan 2020). The benefit of the Government lending to and through the KfW is that the bank can then leverage its accumulated financial capacity and expertise. At the same time, the funds channelled through the KfW can be further magnified and dispersed via the country's existing public and private banks, as well as through the expansive and powerful public savings banks, the Sparkasse system. It is important to acknowledge the historic built up Germany's public financial legacy, a legacy that does not exist in other advanced capitalist systems like the US and the UK. The Chair of the Board of Managing Directors at KfW, Günther Bräunig, underscores this point (FMF 2020):

> The banks and KfW have prepared intensively for today. Never before have we been able to put a full programme together this quickly. The federal government will assume close to full liability and the loan margins are extremely low.

As of late September 2020, the KfW had on offer four aid/loan programmes providing financial support to companies, self-employed people and freelance workers (KfW 2020a). These loans are to provide liquidity and to help cover operating costs, thus giving businesses and individuals time to overcome the crisis.

KfW Instant Loans for medium-sized enterprises

The KfW Instant Loans for medium-sized enterprises is a programme that is notable for its speed of delivery – that is, basically 'instant'. The necessary conditions are fairly basic: it is meant for medium-sized firms of with more than 10 employees, which are active since at least January 1, 2019, and which are profitable on average for the three previous years. The credit amounts available then vary according to firm size. Ten-year loans are granted at 3% interest. The issuing or on-lending bank is backed 100% by the KfW (which is in turn backed by the Federal Government). The structure allows for the rapid granting and release of credits for eligible companies as, once the conditions are met, no further risk assessment needs be done by the issuing bank or by the KfW.[2]

KfW loan for companies on the market for longer than five years (Entrepreneur Loan)

The KfW Entrepreneur Loan is meant to assist with investments and to provide for working capital for companies that are older than five years. For larger companies, the KfW assumes 80% of the risk while for small- and medium-sized companies, it assumes and up to 90%. Qualifying companies can apply for up to €100 million, subject to a series of conditions.

KfW loan for young companies on the market for less than five years

For companies that are less than five years old, the KfW has the ERP Start-up Loan. The conditions are similar to the Entrepreneur Loan (80% for large companies and up to 90% for SMEs, with access to up to €100 million), just with a shorter time period of being in operation as the basis of qualifying.

KfW Special Programme

Finally, there is the large-scale Special Programme meant for investment and working capital in medium-sized and large companies. The programme involves syndicated financing wherein the KfW takes on direct participation of at least €25 million but no more

[2] The KfW showed dynamism in its initial response to the pandemic. As in many other countries around the world, the commercial banks balked at only receiving an 80% guarantee for funds to be on-lent to struggling companies. They saw their capital at risk everywhere. Within days of first announcing its 80% and even 90% guarantees, the KfW reviewed and then improved its programme. The 100% guarantee loan programme was then rolled out on April 3, 2020, which allowed commercial banks, public and private, to lend out Covid-19 support funds without risk (Mertens et al. 2020, 6). This became the KfW Instant Loan.

than 50% of the total debt. The KfW assumes 80% of the risk, subject to certain conditions being met.

The KfW reports that, as of June 30, 2020, it had received 70,000 loan applications and had in turn lent out just under €34 billion (KfW 2020b). The lion's share of applications (some 97%) came from SMEs with almost all of the loans (indeed 99.8%) being for up to €3 million in support. By mid-August 2020, loan applications had topped 81,000 and KfW loan commitments neared €43 billion. While part of the four programmes above, the KfW also directed support towards students, via the KfW Student Loan, which is a zero-interest rate loan provided until March 31, 2021. As of mid-August 2020, about 24,000 students applied with KfW loan commitments reaching €700 million.

INTERNATIONAL COVID-19 SUPPORTS: THE KFW DEVELOPMENT BANK

The KfW is a corporate banking group composed of five divisions, split into domestic and international operations. Domestically, the SME Bank (Mittelstandsbank) and the Municipal and Private Client Bank (Kommunal- und Privatkundenbank/Kreditinstitute) make up the bulk of KfW lending (about two-thirds). Most of the Covid-19 support is accounted for here. In 2012, KfW founded a fifth charitable division, the KfW Stiftung, which is geared towards not-for-profit projects in Germany. Abroad, the KfW IPEX Bank (project and export financing) and the Development Bank account for about a third of KfW lending. Here I look at some of the KfW Development Bank Covid-19 lending around the world and its role in facilitating development aid.

In this international aspect of KfW operations, the Development Bank responds to funding requests from its partner countries (about 70 globally). KfW partner countries include 'least developed countries' with average gross national income (GNI) per capita under US$992. Normally, the KfW assesses the development project, usually via the Federal Ministry for Economic Cooperation and Development (BMZ) or the European Commission, which takes the final funding decision. So too with Covid-19 aid. Consequently, KfW aid and lending decisions are mediated by the public sphere. Where existing national development banks are already in place in the partner countries, the KfW can work with and through these institutions, refinancing their domestic loan programmes. Otherwise, the KfW works with local clients and beneficiaries, whether they are public or private institutions, depending on the domestic programme.

According to Marc Engelhardt, Head of the Task Force of KfW Development Bank, the KfW will offer about €5 billion in Covid-19 financial support via the Federal Ministry for Economic Cooperation and Development's Emergency Covid-19 Support Programme 2020 (KfW 2020c). These emergency funds will be followed up with additional Federal Government support funds that will also be channelled through the KfW in the coming months and years. The immediate concern, however, was for the KfW to react swiftly to support health initiatives and social security and to help public and private sectors weather the initial storm of the pandemic. According to Engelhardt, "[t]ime is an especially critical factor in this pandemic. This is why we want to pay out all of the additional Federal Government budget funds this year, to make tangible improvements in our partner countries very fast." As of mid-July 2020, the KfW had supported 140 projects globally, focused on Africa and the Middle East, but including commitments in Asia, Southeastern and Eastern Europe and Latin America. Having acquired not only significant financial capacity, but also decades of institutional expertise and development memory, the KfW also provides technical support around the design, preparation and implementation of funded projects. Such internal technical support and expertise is often a feature of public development banks, for example, with the North American Development Bank, the Nordic Investment Bank and the National Bank for Agriculture and Rural

Development. Internal to the KfW, Engelhardt notes that it can leverage its domestic experiences as well, for example, by learning from how the KfW at home rapidly supported German SMEs in order to provide similar support in Central America via its regional development bank, the BCIE. Below I review four country- and region-specific Covid-19 interventions by the KfW Development Bank.

KfW and Covid-19 in Peru

The KfW, on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), has loaned Peru €250 million (KfW 2020d). The loan's framework connects plans to combat the impacts of Covid-19 to realizing climate and environmental goals in Peru. It does so by first providing financial support to small businesses and their employees to overcome the immediate economic crisis and then, as recovery takes shape, by channeling resources into green investments.

In the first instance, the priority is rapid dispersal to help the heavily informal workforce in Peru, which is disproportionately impacted by the pandemic and related lockdowns. This meant targeting micro and small enterprises, many of which have little accumulated capital to weather the storm of economic restrictions imposed but nonetheless employ upwards of 50% of Peruvians. The KfW does not lend directly to such enterprises but needs to work through a local institution, which in this case involved the Peruvian public development bank, COFIDE (Corporación Financiera de Desarrollo or Development Finance Corporation). COFIDE was founded in 1971 under the Velasco military regime to promote business investments.[3] It has since evolved. In the 1980s, the Government made COFIDE subject to private, not public law. Since then COFIDE has tended to on-lend to other financial entities in Peru. As of 2019, it has US$3.2 billion in assets and a return of average assets of 0.25% (Orbis BankFocus October 2, 2020). According to the KfW, COFIDE has

3 For more on COFIDE and public banks in Peru, see Dancourt and Jiménez Sotelo 2018.

supported over 300,000 micro and small enterprises during the pandemic. The bulk of the KfW loan will go towards supporting COFIDE in this area. What is less clear is the extent to which this massive loan will in fact be green. The KfW reports that the Peruvian Government committed to reduce carbon emissions by 30% and to promote sustainable development, so long as this was backed by international aid, presumably including contributions from the KfW. No further details were forthcoming. A KfW Regional Manager confirms, however, that firm survival and jobs are the first priority and that they are not yet able to turn efforts towards energy efficiency, greening, and so on (confidential interview, online, October 12, 2020).

KfW and Covid-19 in Senegal

In Senegal, the KfW has facilitated the transfer of a German Government grant worth €100 million (KfW 2020e). The purpose of the grant is to help address the economic and social impacts of the pandemic. A further €124 million in grant money will be provided by the European Union (EU) [which combines contributions from EU Member States and the European Commission, as well as from two other EU public banks, the European Investment Bank (see Clifton et al, this volume) and the European Bank for Reconstruction and Development]. A key feature of this programme is that the funds provided are pure grants, and are therefore non-repayable. The funds are intended to support micro-, small- and medium-sized enterprises and related jobs and to help the Government meet its needs, particularly in the health sector. The funds are expected to be dispersed by the end of October 2020.

KfW and Covid-19 in Zambia

In Zambia, the KfW partnered with UNICEF and the Zambian Ministry of Health to provide €20 million in emergency Covid-19 pandemic containment financial support (KfW 2020f). The German BMZ will provide the funds, which are to be directed by the KfW towards hospitals, for use at Covid-19 treatment and isolation centres and for broad-based support. Specifically, the KfW-facilitated aid package included the delivery of personal protective equipment for medical staff in early September 2020. This included surgical masks, gloves, oxygen devices and Covid-19 test kits to be distributed to 1,400 health centres. Support will also go towards training staff in the application of the Covid-19 tests. At the same time, the funds will support general health efforts, such as tuberculosis immunizations for infants and pregnant women. The KfW funds will further target improved water and sanitation services in schools, health centres and villages to help prevent the spread and impact of Covid-19. In both urban and rural areas, water purification chemicals are to be provided. Finally, emergency income support for the poor and informal workers most impacted by the crisis will be provided. Via UNICEF, the BMZ and KfW will allocate €8.75 million in cash transfers meant to top up existing government payments to the poor to help cover basic needs in the coming months.

KfW support for Covid-19 research in Africa

In Africa more broadly, the KfW Development Bank has supported Covid-19 research geared towards finding reliable and rapid tests that can be made available to the poorest people and communities (KfW 2020g). In this case, it is the German Federal Ministry of Education and Research (BMBF) that has made €25 million available to the KfW Development Bank. In turn, the KfW will direct BMBF support towards the Drugs for Neglected Diseases Initiative (€15 million) and the Foundation for Innovative New Diagnostics (€10 million). This is an important intervention in the context of Covid-19, but the work of the KfW in this sector is not new as it has been active in drug research and affordability initiatives since 2011. The aim has been "to develop new adapted diagnostic procedures that also work in places where there is often only basic health care." The public ethos and pro-poor direction of KfW support here is clear. An unnamed KfW project manager states it in unambiguous terms (KfW 2020g):

> Inexpensive, fast and safe diagnostics and medication should actually be available to everyone. However, it has always been the poorer population groups in developing countries who have lost out. Traditionally, globally active pharmaceutical companies invest around 90% of their research funds in the development of new drugs for diseases from which only the wealthy ten percent of humanity suffers.

The KfW not only supports such public health measures financially and morally. As a large, internationally active public development bank, the KfW has acquired internal expertise of the kind not normally associated with banks. There are dedicated health professionals and medical doctors on the KfW staff who are well-positioned to advise and support the bank's financial operations with appropriate technical expertise. The KfW Development Bank thus illustrates a concrete pro-public alternative to what economist Mariana Mazzucato (2020) highlights as a highly problematic and contradictory strategy of using public health money (as in the US) to support private sector Covid-19 treatment and vaccine research that will be subsequently priced well beyond what most people can afford (at about US$3,000/treatment).

Public finance and banks are not always the solution, but they do offer important alternatives and their capacity could certainly be scaled up to meet pressing societal needs. Indeed, public banks can function in stark contrast to the profit-maximizing neoliberal model and can be made to confront societal challenges and crises in the public interest. Notably, the KfW in the first half of 2020 has announced Covid-19 related losses of €576 million (compared to a return of €904 in the first half of 2019), with similar losses expected for the second half of 2020 (KfW 2020b). This is, in effect, a wealth redistributive mechanism. Moreover, it is only through the public sphere and in the public interest that a bank could and would willingly adopt such crisis-mitigating and life-saving but loss-making operations.

CONCLUSION

Across its seven-decade journey, the KfW as a public financial institution has been both *constituted by* and *constitutive of* the world in which it reproduces itself. In the current context, one can see events and social forces having an effect on the KfW and in turn, the KfW affecting society around it. The exact measure of its Covid-19 interventions cannot yet be known, but undoubtedly they have helped to mitigate the Covid-19 crisis for many, at home and abroad. Let it not be forgotten that, in poorer countries, such support simply would not have been forthcoming. In Germany, without its existing public banking capacity, it too would have struggled to provide rapid and effective support, much as the US and the UK have struggled to do through banks that were either unwilling or unable to do so. By contrast, the KfW has often made *time* available to businesses, health providers, public services, governing authorities and even to students to help them adjust to the pandemic.

Apparently, however, KfW workers would like to see its interventions go further and for the KfW to have a more sustained impact on society. According to KfW staff, "the emerging recovery process needs to be perceived as an opportunity to rethink our economic and social systems and promote a greener model for prosperity over the long term" (Lau and Müller-Späth 2020). We need to recognize, they continue, "the crisis as transformation" such that "green recovery" means confronting the economic and social impacts while aiming to reduce greenhouse gases and mitigating climate change. The KfW could and should play a catalytic role in a green transition.

No doubt the functions of the KfW in any green recovery and transition will be subject to contentious power struggles and the pull of public and private interests. This cannot be avoided within class-divided capitalism given contending interests between the public good and private accumulation. Yet the KfW is a decidedly 'public' bank. Its institutional structure and historical legacy enable it to function in pro-public ways – particularly at times of acute crisis and as we face huge societal challenges like climate change. Its representative form of governance enables the public interest to be heard. It can leverage not only its accumulated capital but its decades of built-up expertise in local economies, public services and even in health expertise.

At times of crisis, the KfW can mobilize its capital and knowledge to confront the problem. It can do so, moreover, not based on the need to maximize its financial returns but on the need to respond to public mandates. This is possible because the bank has acquired a range of banking functions and built up its institutional capacity over time – including in its form of representative governance. Without such an institutional legacy no such emergency Covid-19 financial support would have been forthcoming through the public sphere. Governing forces would instead have to barter with private banks to provide support services by first bending Covid-19 recovery financial programmes to private interests and profit mandates in ways that meet the risk-return preferences of corporate shareholders. The existing capacity and historical legacy of the KfW provide an effective and viable alternative, one that needs to be built upon internationally as we move from Covid-19 recovery to a global green and socially-just transition.

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