

FC Promotional Loan

A complementary financing instrument of financial cooperation (FC) with developing countries

Since the beginning of 2001 the FC promotional loan has been available under financial cooperation (FC) as an additional financing instrument of KfW. The FC promotional loan is an instrument that has been designed to finance development projects and primarily in countries without apparent indebtedness problems. With terms and conditions that are similar to those offered on the capital market, it rounds off the range of available FC instruments and closes the gap between development loans granted under FC at concessionary terms and commercial financing schemes. FC promotional loans complement the contributions of German development cooperation and are particularly appropriate for promoting the private sector in developing countries, which is increasingly gaining in importance.

Main characteristics of the FC promotional loan

Financing may be provided for:

- the refinancing of official or officially guaranteed financial institutions of the formal banking sector;
- credit and equity investment operations in the micro finance sector;
- private and public investments in infrastructure (telecommunications, transport, energy, water supply, etc).

The award of these funds is conditional in any case on the developmental soundness of the projects to be financed. Their appraisal is performed on the basis of the sectoral and regional development policy principles of the German federal government. In addition, the project risks must be acceptable to KfW and the borrower's credit worthiness must be satisfactory.

FC promotional loans are granted at conditions that are similar to those of the market (in terms of interest rates, maturities, grace years, etc). In accordance with KfW's general orientation towards the financing of projects that require long-term funds, the minimum loan term is usually four years. Shorter maturities, however, are possible in individual cases.

The forms of financing depend on the creditworthiness of the borrower/project-executing agency and its specific needs. In this regard KfW is able to make a flexible offer of maturities, currencies and interest rate options that fully meets the needs of the customer.

In the area of infrastructure finance FC promotional loans can be granted to state borrowers, private enterprises or within the framework of project financing schemes. This can be done in the form of individual

loans, structured finance, syndicated loans, risk participations and loan guarantees. **In all cases the loans are untied to supplies.**

If possible, the use of FC promotional loans is included in the minutes of the bilateral inter-governmental negotiations.

In appropriate cases FC promotional loans may be prepared by studies and experts funds of the German Ministry for Economic Cooperation and Development (BMZ) and/or accompanied by personal support measures.

Financing inquiries

Financing inquiries should be supported by revealing information on the planned project to be financed.

Particularly in project financings in the area of economic infrastructure KfW should be contacted as early as possible to accommodate the complex structure of this financing form. This is usually done by the sponsors/investors. An information memorandum prepared by the sponsors/investors may already be the basis for a preliminary risk assessment. The detailed credit risk analysis, however, is performed on the basis of a feasibility study to be submitted by the sponsors/investors on which the on-site project appraisal to be performed by KfW will be based.

Together with the project participants a viable financing concept, including collateral, will then be worked out. In individual cases this may require the assistance of experienced law firms.

KfW also determines whether and to what extent an involvement by its subsidiary DEG is possible and appropriate.

Date: 12/2007

Information on the FC promotional loans may be obtained by the relevant regional departments of KfW's business segment "Promotion of Developing Countries". Below is a list of contacts in the corresponding regional departments.

- **Regional Department I**

Mr. Ohls (Tel.: +49 69 7431-2540)

Asia (South and Central Asia):

Dr. Müssig (Tel.: +49 69 7431-2150)

Asia (Southeast and East Asia, Pacific):

Mr. Opitz (Tel.: +49 69 7431-3573)

- **Regional Department II**

Mr. Wenn (Tel.: +49 69 7431-2141)

Central and Southern Africa:

Mr. Wollenzien (Tel.: +49 69 7431-2818)

West and East Africa:

Dr. Radeke (Tel.: +49 69 7431-3946)

- **Regional Department III**

Ms. Köhn (Tel.: +49 69 7431-2047)

Europe and Caucasus:

Mr. Siller (Tel.: +49 69 7431-4575)

North Africa and Middle East:

Ms. Arce (Tel.: +49 69 7431-3249)

- **Regional Department IV**

Mr. Gauges (Tel.: +49 69 7431-2024)

Latin America and the Caribbean:

Mr. Hartmann (Tel.: +49 69 7431-3537)

Date: 12/2007