

## FC Development Loan - Composite Loan

### **An additional financing instrument in German Financial Cooperation (FC) with Developing Countries**

Since 1994 a further financing instrument, the Composite Loan, has been available to developing countries, particularly those of OECD categories 2 to 6.

#### **What may be financed?**

Composite Loans are available for financing projects that are eligible for promotion according to development-policy criteria in the fields of infrastructure (telecommunications, energy supply, transport, water supply and waste management), industry and environmental technology.

#### **Who are the borrowers?**

Borrowers may be states or project-executing agencies benefiting from a state guarantee that are domiciled in a developing country.

#### **To what extent does it constitute development aid?**

Each project that is implemented under German FC is appraised for its developmental effectiveness. This is done irrespective of whether KfW provides additional market funds or not. The grant element meets the requirements for recognition as official development aid (ODA).

#### **What are the conditions and maturities?**

The terms of the Composite Loans are adapted to the project periods. The interest rate for a Composite Loan is fixed for the entire loan term (upon signing of the loan agreement or at disbursement). The Composite Loan interest rate is always below the market interest level. By adapting this instrument to the economic situation of the partner countries and to the commercial viability of the projects KfW is able to provide financing solutions tailored to individual needs.

#### **Are the loans tied to supplies?**

Composite Loans may either be tied or untied to German supplies.

Untied Composite Loans must contain a grant element of at least 25% to qualify as ODA.

Owing to the OECD Consensus rules, tied Composite Loans are available only for projects that are commercially non-viable. In other words, they can be granted only for projects generating cash flows that are insufficient to service a debt at market conditions. The grant element required in this case is at least 35%.

Datum: 06/2008