Financing Investment Projects with Public Loans

Investors can access publicly subsidized loan programs in Germany. These programs offer loans at below current market interest rates in combination with grace periods. They are provided by "development banks" – publicly owned and organized banks which exist at the national and federal state level. Investors profit from interest-reduced public loans as a means of acquiring capital in a cost-effective way during the investment or expansion phase – thereby easing long-term financial planning.

At a Glance

- Public loans offer reduced, fixed interest-rates, long loan terms, repayment-free periods
- Up to EUR 25 million loan amount at national level, up to EUR 10 million at regional level

Public Loan Modalities

Each financial tool or program offered by development banks is accessible to foreign investors to finance a respective project in Germany subject to the same financing conditions available to investors from Germany. Loans are collateralized with the usual loan securities. Applications are made through the investor's main bank to the respective state development bank. Interest-reduced loans can usually be combined with other public funding instruments.

National Public Loan Programs
The KfW Group is the nationally operating development bank of the Federal Republic of Germany. It makes a number of financing tools available to different target groups. The wide range of financing instruments encompasses promotional loan programs as well as mezzanine financing and private equity. Thanks to its high level of flexibility, the *Unternehmerkredit* ("Entrepreneur Loan") is a very important KfW loan program. It is possible to finance up to 100 percent of eligible costs using this loan program. This program is also available for larger, mainly privately owned enterprises with an annual group turnover of up to EUR 500 million.

State Development Bank Loan Programs
In addition to the KfW Group, each German federal state has its own development bank that finances projects within the respective federal state. State development bank loans are generally tailored to mainly meet the requirements of small and medium-sized enterprises.

Application Procedure
The respective development bank (at national or federal state level) is contacted via the applicant's main bank which complements the financial package. A sound business plan and sufficient loan securities are the basis for the integration of public promotional loan programs. Investors should have a German bank or a subsidiary of their domestic bank in Germany to ease the application process.

Alternative Incentive Tool

One special advantage is that public promotional loans offer the opportunity to finance investments not supported by the GRW program (Joint Task for the Improvement of Regional Economic Structures). A classic example is investment made in vehicles usable in public traffic not supported by the GRW cash grants program. Investments and/or costs that can be financed by public promotional loans depend on the single loan program conditions. Also of note is the fact that some public promotional loan programs feature liability waivers. A liability waiver reduces the loan default risk for the intermediary bank and creates an incentive to finance the project. One other option to partially release the intermediary bank from risk of default is the combination of a public guarantee with the public promotional loan. The basis for using this option is the regulation of the respective public loan program and successful public guarantee application.

In 2016, a total of approximately EUR 21 billion in new public loans was made available to enterprises in Germany by the national development bank KfW through a number of different programs.
KfW Group

Investor Support Services
The experts from GTAI's Financing & Incentives team are in place to assist investors in identifying appropriate public promotional loan programs to finance projects using further public financing instruments.

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