

Financing Investment Projects with Public Loans

Investors can access publicly subsidized loan programs. These programs offer loans at below current market interest rates in combination with grace periods. They are provided by business development banks. Public loans offer investors the opportunity to acquire capital to finance investments or expansions cost-effectively.

Public Loan Modalities

Each financial tool or program offered by business 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 secured with the usual collateral. Applications are made through the investor's commercial bank to the respective business 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 *KfW-Förderkredit großer Mittelstand* ("KfW - Promotional Loan Large Mittelstand") is an important KfW loan program. It is possible to finance up to 100 percent of eligible costs using this loan program. A liability waiver of 50 percent of the pending loan amount in favor of the investor's commercial bank is possible. This program is available for larger, mainly privately owned enterprises with an annual group turnover of up to EUR 500 million.

Business 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 business development bank is contacted via the applicant's commercial bank which complements the financial package. A sound business plan and sufficient collateral are the basis for the integration of public promotional loan programs. Investors should have a bank in Germany to ease the application process.

At a Glance

- Public loans offer reduced, fixed interest-rates, long loan terms, repayment-free periods
- Up to EUR 50 million loan amount at national level

KfW's new business reached EUR 107 billion in 2021. The largest share of new commitments was attributable to business in Germany with a volume totalling EUR 82.9 billion. There was strong demand for the promotion of energy-efficient residential buildings, commercial energy efficiency and renewable energies.

KfW Group

Alternative Incentive Tool

One advantage is that public promotional loans offer the opportunity to finance investments not supported by the GRW program. 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 terms and 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.

➔ 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. invest@gtai.com