German Financing for Sustainable Urban Infrastructure Projects

Mr. Oskar von Maltzan
KfW

Beijing, 22 September 2015
German Financing for Sustainable Urban Infrastructure
KfW: financing with a public mission

- Promotional bank of the Federal Republic of Germany
- Founded in 1948 as Kreditanstalt für Wiederaufbau
- Shareholders: 80% Federal Republic, 20% federal states
- Headquarters: Frankfurt am Main
  Branches: Berlin, Bonn and Cologne
- Offices and representations in 80 countries
- Balance sheet total 2014: EUR 489.1 billion
- Financing volume 2014: EUR 74.1 billion
- 5,518 employees (2014)
- Rating: AAA/ Aaa/ AAA
### German Financing for Sustainable Urban Infrastructure

**KfW: a bank with a wide array of functions**

#### Domestic business

**We promote Germany**
- **SMEs**
  - Promotion of SMEs, business founders, start-ups
- **Municipal Level / Private Customers / Banks**
  - Promotion of energy-efficient construction and refurbishment, barrier-poor conversion and education;
  - Financing of municipal infrastructure;
  - Global loans and refinancing of export loans

#### International business

**We support internationalisation**
- **KfW IPEX-Bank**
  - International project and export finance
  - In China: since 1980
  - EUR 6bn

**We promote development**
- **Business Area**
  - KfW Development Bank/DEG
  - Promotion of developing and transition countries
  - In China: since 1985
  - EUR 7.8bn

### Promotion of environmental and climate protection

**KfW IPEX-Bank**

- KfW Development Bank/DEG

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**KfW**
German Financing for Sustainable Urban Infrastructure
Principles of Sino-German Financial Cooperation (FC)

› In China, the responsibility for Sino-German Financial Cooperation lies with the Ministry of Finance, Department of International Economic and Financial Cooperation

› KfW is commissioned by the German Ministry of Economic Cooperation and Development (BMZ) in providing funds under Financial Cooperation

› Loan agreements are signed between the Chinese Ministry of Finance and KfW

› Funds are channelled via Chinese on-lending banks to the Project Implementing Agencies

› Main financing instrument: Promotional Loans
Prime Minister Li Keqiang and Federal Chancellor Dr. Angela Merkel at the Sino-German Government Consultations in Berlin on 10 October 2014:

“The successful cooperation with KfW Development Bank in the area of Promotional Loans shall be continued to the benefit of both countries”
German Financing for Sustainable Urban Infrastructure
Principles of Promotional Loan Programme

- Sino-German Promotional Loan Programme is based on a Memorandum of Understanding agreed upon between the Chinese Ministry of Finance and KfW
- Annual amount available up to EUR 450 m
- Minimum loan amount for individual projects of EUR 35 m
- Projects must be sustainable (i.e. technically and economically)
- Projects that can serve as model projects preferred
- National project approval procedures apply (NDRC, MoF, etc.)
- Financing of local cost accepted
- Counterpart funding has to be secured
### German Financing for Sustainable Urban Infrastructure

#### Priority Areas of Cooperation

1. **Urban Environmental Infrastructure**
   - e.g. wastewater treatment, solid waste disposal, water supply, air pollution control

2. **Climate Friendly Transport Solutions**
   - Long-distance railways and energy-efficient urban transport such as subways, regional railways, BRT systems

3. **Climate and Environmental Protection**
   - e.g. energy efficiency, renewable energy, waste incineration, sustainable forest management, water resource management

4. **Hospitals / Higher Vocational Training Institutions**
   - Equipment (medical/training), other technical equipment, co-financing of buildings
German Financing for Sustainable Urban Infrastructure
Principles for Projects

- International competitive bidding applies
- Sector-specific equipment financing at least 50% of loan amount
- Transparent and fair tender procedures to be applied
- KfW provides “no objection” to:
  - Tender Documents
  - Bid Evaluation Reports
  - Draft Supply Contracts
- KfW receives a copy of the signed supply contracts
## German Financing for Sustainable Urban Infrastructure

### Promotional Loans: Terms and Conditions

<table>
<thead>
<tr>
<th><strong>Maturity:</strong></th>
<th>15 years</th>
</tr>
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<tbody>
<tr>
<td><strong>Grace Period:</strong></td>
<td>up to 5 years</td>
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<tr>
<td><strong>Interest Rate</strong></td>
<td>Fixed or floating interest rate: KfW effective funding cost plus margin of KfW (0.45% for loans of EUR 35 m and above)</td>
</tr>
<tr>
<td><strong>Commitment Fee</strong></td>
<td>0.25% p.a. on undisbursed loan amounts</td>
</tr>
</tbody>
</table>
| **Management Fee** | 0.35% for loans up to and including EUR 100 m  
0.25% for loans of more than EUR 100 m |
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Project Example: KETDZ Environment Comprehensive Treatment Project

![Project Example Image]

### Project Characteristics

<table>
<thead>
<tr>
<th>Phase 1: Governmental loan: 10 EUR million</th>
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<tbody>
<tr>
<td>Wastewater treatment plant (underground)</td>
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<table>
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<tr>
<th>Phase 2: Promotional loan: 50 EUR million</th>
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<tbody>
<tr>
<td>Sewage network in the catchment area of the WWTP</td>
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<tr>
<td>Reuse network for treated wastewater</td>
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<tr>
<td>River engineering measures</td>
</tr>
<tr>
<td>Procurement of sewage network maintenance equipment</td>
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<tr>
<td>Wastewater treatment plant (underground; with remaining funds)</td>
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</tbody>
</table>

Project Partner: Kunming Economic und Technical Development Zone (KETDZ)

Total cost approx. EUR 70 million

Status: Project is to be completed by September 2015
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Project Example: Rail Transit Line I, Chongqing

<table>
<thead>
<tr>
<th>Project Characteristics</th>
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<tbody>
<tr>
<td>› Construction of 36 km Metro line connecting Chongqing Centre and Chaotianmen.</td>
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<td>› Considerable reduction of travel time for users</td>
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<td>› Contribution to emission reduction</td>
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<tr>
<td>› Overall costs for line 1: 13.7 bn RMB</td>
</tr>
<tr>
<td>› KfW Promotional Loan of 200 million EUR for equipment supply (power supply, construction vehicles, communication, monitoring and control, safety and access control equipment)</td>
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<tr>
<td>› Status: Project is completed and Metro line operational</td>
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## German Financing for Sustainable Urban Infrastructure
Contact: KfW Office Beijing

### Portfolio Management

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
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### Office Administration

<table>
<thead>
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<th>Position</th>
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German Financing for Sustainable Urban Infrastructure
Contact: KfW Frankfurt

Thanks for your attention!

KfW Frankfurt

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