

# »» Financial products of FC

## Grant and standard loan

KfW Development Bank uses grants and standard loans comprised of budget funds as Financial Cooperation (FC) financing instruments in developing countries and emerging markets.

The commissioning party is the German federal government.

Within the scope of Financial Cooperation, KfW Development Bank uses funds from the German federal budget in the form of grants and highly subsidised credits (standard loans) to lesser developed countries.

### Main characteristics

- Promotional funds are utilised to finance projects in developing countries and emerging markets.
- The goal of the projects is to reduce poverty and/or protect the environment and the climate and thus improve the living conditions of people in the partner countries in the long run.
- Recipients of grants/loans from budget funds are countries that usually pass on the funds to national project-executing agencies.

**In German Financial Cooperation**, poor and lesser developed countries, known as LIC (*Low Income Countries*), are the primary recipients of **grants** comprised of funds from the German federal budget. These funds are not repaid. However, to be eligible to receive this funding, certain fixed development criteria must be met including the partner country's ownership and commitment. Countries that are more developed, called *Lower Middle Income Countries* (LMIC) and *Upper Middle Income Countries* (UMIC), are eligible for grants to carry out projects that make direct contributions to poverty reduction or preserving global public goods such as tropical rainforests.

**Standard loans** are pure **budget fund loans**. They are used to finance development projects in LMIC and UMIC. These are granted by KfW Development Bank at special, internationally agreed, low interest terms and conditions specified by the *International Development Association* (IDA). The IDA terms stipulate that countries with a per capita income of currently up to USD 1,985 are eligible for loans at an interest rate of 0.75 % per year and a term of 38 years with a six-year grace period (as at: 2016). Developing countries with a higher per capita annual income than mentioned above pay an interest rate of 2.0 % per year at a term of 30 years including a ten-year grace period. Unlike the grants, these low-interest loans must be repaid by the respective partner country.

### Financing enquiries

Financing enquiries should be supported by revealing information on the planned project to be financed. The points of contact for grants and standard loans are the relevant regional departments of KfW Development Bank, e-mail: [info@kfw-entwicklungsbank.de](mailto:info@kfw-entwicklungsbank.de)