

COVID-19: PRESSURE POINTS : KfW GROUP LIQUIDITY SPECIAL PROGRAMME 2020 (GERMANY)

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Legal Briefings - By **Kai Liebrich and Dr. Katja Lehr, LL.M. (UCL)**

On 23 March 2020, KfW Group launched the *KfW Special Programme 2020* in conjunction with the German Federal Government - a programme designed to provide assistance to companies of all sizes, together with self-employed and freelance professionals in Germany experiencing financial difficulty as a result of the current COVID-19 crisis.

WHO IS KfW GROUP?

- KfW (Kreditanstalt für Wiederaufbau) Group - the German state-owned bank for development - was founded as a corporation under public law in 1948 in Frankfurt am Main and is owned by the Federal Republic of Germany (80% shareholding) and the Federal States of Germany (20%) respectively.
- In addition to its head and further branch offices in Germany (Berlin, Bonn and Cologne), KfW Group is currently represented by 80 local offices worldwide. KfW Group has provided more than €1.7 trillion in loans since its establishment and employs around 6,300 people (as of 2018).
- The current battle against the dreadful economic consequences of the COVID-19 virus is the next step in KfW's long history of service of promotional programmes, which previously included the reconstruction of the Eastern part of Germany and the economic stimulus packages implemented during the 2008 financial crisis.

WHICH COVID-19 VIRUS-RELATED ACTIONS HAS KfW GROUP RECENTLY TAKEN?

- On 23 March 2020, KfW Group launched the *KfW Special Programme 2020* in close cooperation with the German Federal Government and released a brief fact sheet relating thereto in conjunction with the German Federal Ministry of Economics and Technology and the German Federal Ministry of Finance.
- Loan disbursements by KfW Group are envisaged to be made as swiftly as possible and funds available are generally understood to be unlimited.
- The Federal Republic of Germany has agreed to bear the financial risks KfW Group incurs in connection with the *KfW Special Programme 2020* based on a separate state guarantee declaration.
- The KfW Group loans are however legally not qualified as a grant but remain debt obligations.

WHEN AND HOW MAY THE KfW SPECIAL PROGRAMME 2020 BE ACCESSED?

- With immediate effect, companies of all sizes, as well as self-employed and freelance professionals in Germany, may submit loan applications via commercial banks or other financing partners which have been supplied with forms and other relevant information by KfW Group.
- The *KfW Special Programme 2020* is generally available to companies experiencing financing difficulties due to the current COVID-19 crisis but have not been in financial difficulties on or prior to 31 December 2019.
- We understand from the information publicly available about the *KfW Special Programme 2020 Programme* that companies applying will have to pass checks such as Know-Your-Customer and similar checks as well as a credit risk analysis, however are not required to meet additional equity or similar corporate funding requirements.
- In addition to these programmes under the *KfW Special Programme 2020*, the various German states may also offer further financial aid. We suggest that companies reach out to their relationship banks to discuss the best options for their particular needs.

HOW IS THE KfW SPECIAL PROGRAMME 2020 STRUCTURED?

- The core of the KfW Special Programme 2020 will be carried out via three pillars which are partly based on pre-existing programme options with updated and enhanced features as well as include new a programme option:

For companies in the market > 5 years:

- Updated programme KfW Entrepreneur Loan (*KfW-Unternehmerkredit (037/047)*)
- Updated programme KfW Loan for Growth (*KfW-Investitionskredit 290*)

For companies in the market < 5 years

- Updated programme ERP Start-Up Loan – Universal (*ERP-Gründerkredit – Universell (073/074/075/076)*)

In addition NEW:

- New KfW Special Programme for Direct Participation in Syndicated Loans (*KfW Sonderprogramm Direktbeteiligung für Konsortialfinanzierung (855)*)

WHAT IS NEW ABOUT THE UPDATED PROGRAMMES FOR COMPANIES IN THE MARKET LESS OR MORE THAN 5 YEARS?

Scope

- Available to small-, mid- and large-sized companies to provide fast access to liquidity in times when such liquidity is needed by facilitating the willingness of financing partners to provide loans.

Further increased risk backup

- Working capital financing for SMEs may be backed by way of indemnification of up to 90% (vis-à-vis banks and saving banks). Such indemnification for large companies will be limited to 80%. Previously to the COVID-19 crisis, those limits were set at 50% or no indemnification for working capital financing was provided at all, respectively.

Improving interest rates

- Interest rates for SMEs are expected to be set between 1% and 1.46% p.a., for large companies between 2% and 2.12%. Previously, interest rates were based on the risk assessment of the relevant company's creditworthiness.

Significant smoothing the application process

- For loans in the amount of up to €3 million per company, KfW Group will completely waive its own credit risk assessment to speed up the process, with such checks concentrated at the level of the borrower's commercial relationship bank. For loans in the amount of up to €10 million, KfW Group will conduct a simplified credit risk assessment with only basic documentation to be provided to KfW Group.

ARE PLANS FOR GROWTH STILL FEASIBLE IN THOSE DAYS (KfW LOAN FOR GROWTH)?

- Yes, KfW Group maintains its Loan for Growth programme and also widens its scope and thereby aims to facilitate the access of medium-sized and larger companies to individually structured, tailored syndicate financing.
- As to the purposes, the programme becomes more attractive and suitable by a temporary extension to general corporate finance including working capital by way of syndicate financing. It was previously limited to investments in innovation and

digitalisation investments.

- This comes together with an increase in the sales limit from €2–€5 billion for companies eligible to apply.
- KfW Group will also increase its partial risk assumption up to 70%.

WHAT ARE THE KEY FEATURES OF THE NEW KfW SPECIAL PROGRAMME 2020 FOR DIRECT PARTICIPATION IN SYNDICATED LOANS?

- Available to the "Mittelstand" and large companies.
- KfW Group aims to facilitate the businesses' access to liquidity with more tailored financing structures for syndicated loans.
- KfW Group will participate in large financings of other lenders and financing partners in accordance with their terms and conditions.
- KfW will assume up to 80% of the total credit risk of the lending transaction.

ARE THERE ADDITIONAL LIQUIDITY SOURCES AVAILABLE IN GERMANY?

- Yes. Further international and national instances, such as the European Union, the Federal Republic of Germany and the Federal States of Germany will provide additional liquidity measures.

For more information on the German Government's response click [here](#).

[More on Navigating the COVID-19 Outbreak](#)

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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