

German Financing of Vocational Education Projects in China

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KfW

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Bank aus Verantwortung

The logo for KfW, consisting of the letters 'KFW' in a bold, blue, sans-serif font.

»» Introduction to 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

- › Representative offices: around 80 offices and representations worldwide

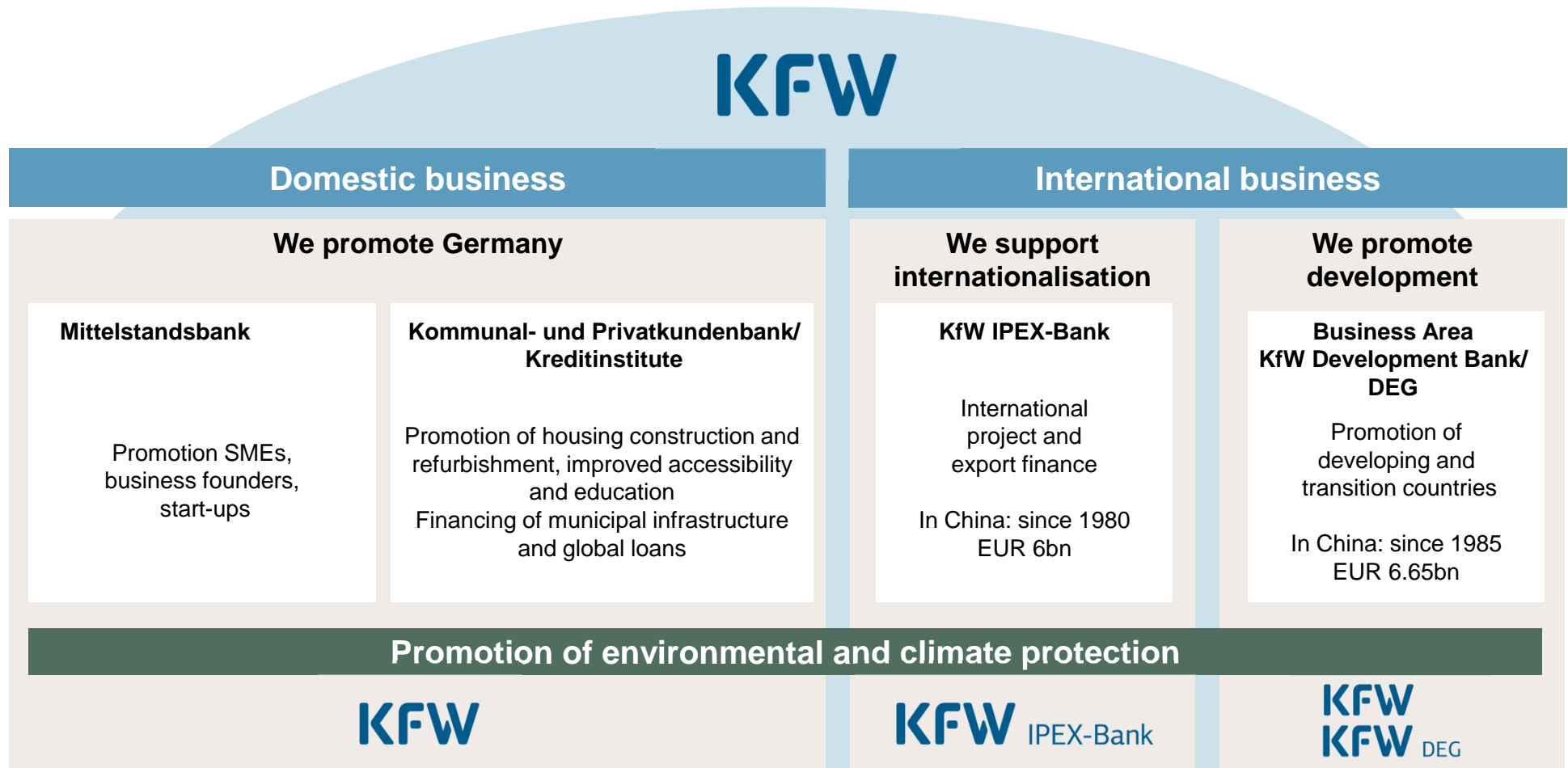
- › Balance sheet total 2013: EUR 464.8 billion

- › Financing volume 2013: EUR 72.5 billion

- › 5,374 employees (2013)

- › Best long-term rating: AAA/Aaa/AAA

»» A bank with a wide array of functions
Promoting development



»» German Financing for the Vocational Education Sector

Principles of Sino-German Financial Cooperation

- › In China, the responsibility for Sino-German Financial Cooperation lies with the Ministry of Finance, Department of Finance
- › KfW acts on behalf of the German Government in implementing Financial Cooperation
- › Loan agreements are signed between the Chinese Ministry of Finance and KfW
- › Funds are on-lent to the Project Implementing Agency

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Joint Declaration on the Strategic Partnership of the Chinese and German Heads of Government

“Both sides highly appreciate 30 years of successful and trustworthy development cooperation [...] The successful cooperation with KfW in the field of promotional loans will be continued [...] to the benefit of both sides.”



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KFW Promotional Loan Programme

- › Sino-German Promotional Loan Programme focuses on projects for social and economic infrastructure
- › Annual amount available adds up to EUR 450 million
- › Minimum loan amount for individual projects of EUR 20 million (higher volume appreciated)
- › Projects must be sustainable (e.g. technically and economically)
- › Financing of local cost accepted
- › Counterpart funding has to be secured

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Priority Areas of Cooperation

1. Vocational Education

Education Equipment, co-financing of buildings and an energy efficient campus



2. Hospitals

Medical equipment, non-medical equipment, co-financing of hospital buildings



3. Long-distance Rail and Energy-efficient Urban Transport

Railways, Subways, S-Bahn, BRT Systems



4. Climate Protection and Resource Protection

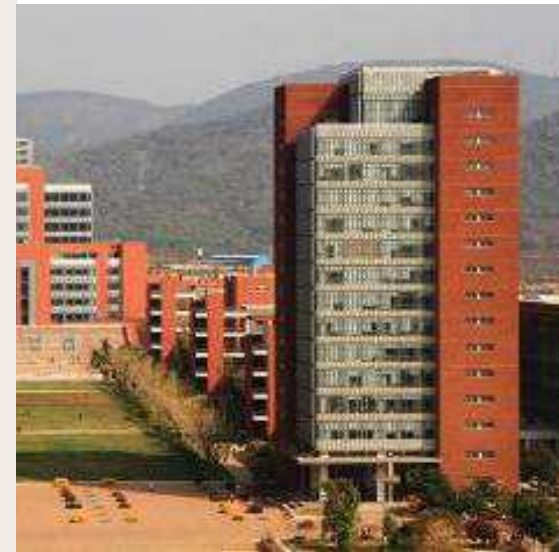
District heating, sustainable forest management, Wastewater treatment and waste disposal, water supply



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Principles for Projects

- › International competitive bidding applies
- › Preferred: Financing of advanced and energy efficient equipment
- › Equipment share should be at least 70% of loan amount, whilst the educational equipment shall reach at least 50% of the loan amount
- › National project approval procedures apply (NDRC, MoF, etc.)
- › KfW provides “no objection” to:
 - › Tender Documents
 - › Bid Evaluation Reports
 - › Draft Supply Contracts
- › KfW receives a copy of the signed supply contracts



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Promotional Loans: Terms and Conditions

Maturity :	Usually 12 to 15 years
Grace Period:	2 to 5 years
Interest Rate	Fixed interest rate: KfW effective funding cost plus margin of KfW (0.40 or 0.45 %)
Commitment Fee	0.25 % p.a.
Management Fee	0.35 % for loans up to EUR 100 million, 0.25 % for loans of EUR 100 million and more
Penalty	Will be charged if less than 60 % of the Loan is disbursed

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Project Example:

Hanzhong Vocational and Technical College, Shaanxi

The College

- › Hanzhong Vocational and Technical College (HVTC) is a higher vocational college in south west of Shaanxi province
- › The capacity was originally 6,500 students and aims to increase to 9,000 by 2020
- › Main trades are in the medical sector, cooperating with an affiliated hospital
- › Other trades are i.a. automotive, electromechanical, construction and engineering

Project Characteristics

- › Construction of a new campus
- › Procurement of training equipment
- › Total project cost: EUR 74 million



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Project Example: Hanzhong Vocational and Technical College, Shaanxi



Loan Details

- › KfW promotional loan: EUR 20 million
 - › 30% for construction works
 - › Up to 40% for medical treatment and training equipment
 - › 30% for other training equipment
- › Repayment term: 15 years (5 years grace)
- › Loan agreement signed in October 2012

KfW Financing

- › Procurement of medical treatment and training equipment, training equipment for i.a. automotive, electromechanical, construction and engineering
- › Construction of multipurpose building

Project Status

- › Tender processes for civil works and some education equipment are concluded
- › Tender process for others are under preparation
- › An international consultant supports the procurement process for medical equipment

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