Info Sheet

Africa CIRR

CIRR
Kredit

Bank CIRR refinancing of export transactions to Africa and to DAC countries

Promotion target

The Africa CIRR is a fixed-interest programme for which the German Federal Government, on the basis of a resolution of the German Bundestag (referred to below as “the Federal Republic”), provides budget funds to support financing for large-volume export transactions. The programme focuses on promoting projects in Africa as well as in emerging and developing countries according to the current list of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) (DAC country list). It is intended to benefit both German exporters and the economies of African buyer countries. CIRR loans from banks are refinanced as part of this programme. The Federal Republic is represented by KfW as the mandatary. KfW has assigned KfW IPEX-Bank to administer the programme.

Who is eligible to apply?

All banks eligible for buyer credit cover from the Federal Republic (known as “Hermes cover”; below “**buyer credit cover**”).

Which export transactions are eligible for financing under the Africa CIRR?

- Exports of capital goods and services from Germany to buyers in African countries and in countries on the DAC country list.
- Typically with a loan amount of more than Euro 85 million.
- Eligibility to apply for the programme is determined by the Federal Republic.
- In addition, KfW generally excludes certain projects from financing or specifies terms and conditions that must be met. For details see the exclusion list and the sectoral guidelines of KfW Group.

What is a CIRR rate?

- Under the programme, the Commercial Interest Reference Rate (below “**CIRR rate**”) is applied using funds from the German federal budget. This rate is a fixed interest rate that the OECD sets for its member states on a monthly basis as a minimum reference rate for officially supported financing of capital goods exports and related services.
- The setting of interest rates under the Africa CIRR programme is subject to the minimum rate regulation of the Arrangement on Officially Supported Export Credits (OECD Consensus).

Which loans are eligible under the programme?

- Tied loans in Euro (standard case) or USD granted to the buyer of the exports (buyer loan) or to a bank in the buyer's country (bank-to-bank loan) (both referred to below as “loan”) that are backed by buyer credit cover;
- Standard loan term of at least four years for respective projects/goods from the Starting Point of Credit (point in time of delivery, weighted average delivery or readiness for operation);
- The loan amount is limited to the maximum permitted percentage according to the OECD Consensus (usually a maximum of 85%) of the eligible order value plus eligible interest during construction and ancillary financing costs;
- Repayment is usually in equal, consecutive semi-annual instalments beginning no later than six months after the Starting Point of Credit.

Each bank is free to use own funds to top up the loan amount supported through the Africa CIRR and backed by buyer credit cover. This increase cannot be refinanced.

What type of collateral must be provided for the loan?

- Buyer credit cover, usually with an uninsured portion of 5%;
- Exporter´s declaration via which the exporter (similar to the letter of undertaking to be submitted to the Federal Republic) assumes, among others, necessary obligations to provide information as well as counterliability for cases in which damages occur through fault of the exporter that do not fall under the buyer credit cover;
- (Foreign) collateral as may be required by the Federal Republic.

As an alternative to the buyer credit cover, in exceptional cases an acceptable foreign export credit agency requiring an uninsured portion of no more than 5% may be considered as well, provided that the Federal Republic and this agency have concluded a reinsurance agreement and the former provides for reinsurance for the export transaction to be financed.

Are there special requirements for the loan terms and conditions?

Each bank is free to agree on loan terms and conditions in accordance with the following provisions:

- Fixed contractual interest rate as per the applicable CIRR rate; the contractual rate may also include a market-based mark-up as an additional risk margin for the bank (“**external interest rate**”);
- Customary handling fees;
- Commitment fee of generally 0.375% p.a.

Which terms and conditions apply to refinancing under the Africa CIRR?

- The interest rate applicable to refinancing agreed between KfW and the bank is the applicable CIRR rate less 0.35% p.a. (“**internal interest rate**”).
- A one-off application fee amounting to 0.05% of the requested refinancing volume - or Euro 3,000 at the least - is payable to KfW. If the request for the refinanced loan to be included in

the Africa-CIRR is rejected by the German Federal Government or if the refinancing request is rejected by KfW, KfW shall retain the application fee in the minimum amount of Euro 3,000 and reimburse any sums above and beyond this amount.

- A commitment fee of 0.25% p.a. is payable to KfW.

Is it possible to reserve a CIRR rate?

- The CIRR rate prevailing on the date of conclusion of the loan agreement will generally apply.
- As per the OECD Consensus and, where applicable, further EU regulations, it is possible to reserve a CIRR in a binding manner for up to 12 months until the date of the loan agreement. To this end, KfW will charge the bank a commission amounting to 1‰ of the reserved loan amount. This commission is payable by the bank to KfW in advance and is non-refundable.
- If a rate is reserved, the applicable internal and external interest rates will increase for the entire term of the loan as follows:

Reservation costs in bps:	
up to and including 6 months:	20
up to and including 7 months:	23
up to and including 8 months:	26
up to and including 9 months:	30
up to and including 10 months:	34
up to and including 11 months:	39
up to and including 12 months:	44

- The intended duration of a reservation must be specified in a binding manner when the application is submitted. A reservation that has been made cannot be extended.

How are CIRR funds paid out?

In plain terms, the procedure is as follows:

1. The bank normally provides a preliminary application to KfW stating the finance volume, the planned disbursements and repayments inclusive term of the loan and the banks involved. The availability of the provisional letter of acceptance of the Federal Republic (credit commitment) is not needed. At that time an advance payment on the application fee in the amount of EUR 1.500 is payable by the Bank. If a final application according to section 2 is provided this amount will be deducted from the application fee.
2. Upon receipt of the provisional letter of acceptance the bank applies to KfW for inclusion in the Africa CIRR of the loan that is to be refinanced.
3. Once the review of completeness is finished, KfW passes the application for inclusion on to the Federal Republic.
4. After eligibility for support has been confirmed and the application has been approved by the Federal Republic, the bank signs a loan agreement with the buyer or the bank. This approval is valid for a maximum of 4 months and expires on 15th of December of a year at least.

5. Loan and refinancing agreements are closed on the same day. On the day of signing, both the internal and the external interest rates are set based on the applicable or reserved CIRR rate.

What kind of collateral is required for refinancing under the Africa CIRR?

The bank assigns the following to KfW as collateral for the refinancing including any accessory claims:

- Claims arising from the buyer credit cover provided for the loan;
- Payment claims arising from the loan;
- Claims arising in connection with the collateral provided for the loan, in particular sureties and guarantees;
- Claims arising from any risk sub-participation agreements for the loan.

If the bank's credit rating is insufficient, additional collateral may need to be provided to KfW for the uninsured portion.

In addition, as CIRR funds are involved, special requirements apply to the loan agreement, including provisions covering damages for non-acceptance and prepayment. Any breakage costs arising in connection with refinancing loans (including changes to the disbursement/repayment profile) as well as damages for non-acceptance will, in principle, be charged to the banks, which, in turn, can pass on these charges to the buyer or exporter.

How are refinancings carried out under the Africa CIRR?

- Upon closing of the refinancing, KfW, for each transaction, determines the profile for disbursement and repayment based on information provided by the bank. This profile is binding and mirrors the loan.
- The loan remains in the bank's balance sheet. The bank is responsible for the loan and bears all documentation risk as well as the obligations and duties arising in connection with the buyer credit cover.
- The drawdown of the refinancing begins with the first disbursement request under the loan in accordance with the progress of disbursement and subject to compliance with all conditions precedent that conform with the cover.
- The bank makes all payments of instalments, commitment fees and interest equal to the internal interest rate due to KfW under the refinancing, regardless of any receipt of payment under the loan.

Note on subsidies

Loans which are refinanced with the help of the Africa CIRR contain budget funds which constitute subsidies in the meaning of the German Subsidies Act (SubvG). Relevant for subsidies in the meaning of Section 264 of the German Penal Code (StGB) are such facts as are relevant for granting or maintaining the buyer credit cover provided by the Federal Republic and/or for the use or retention of the budget funds to refinance the export transaction financed by the bank.

Note of translation

The document has been translated into English for information purposes only and the German version and language prevail.