

INVESTMENT GUARANTEES



INTERIM REPORT 2021

INVESTMENT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Direct Investments Abroad**

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1.8 billion

In the first half-year of 2021 the Federal Government assumed investment guarantees with a total volume of 1.8 billion euros (capital and earnings). The principal region for the covered investments was – as in the previous year – Asia.

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59%

59% of enquiries came from small and medium-sized enterprises. 25% of companies which applied for an investment guarantee were doing so for the first time.

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10 guarantees

The Federal Government assumed ten investment guarantees for eight projects in six emerging markets and developing countries.

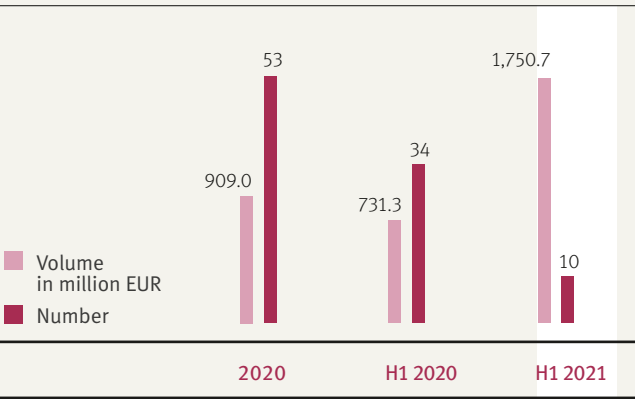
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28.3 billion

The guarantee portfolio of the Federal Government, at 28.3 billion euros, remains at a high level. With 10.6 billion euros of covered investments, China posts the highest volume of any single country, followed by Russia with 7.4 billion euros.

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DEVELOPMENT OF ACCEPTED APPLICATIONS



TOP 5 COUNTRIES
NUMBER OF APPLICATIONS ACCEPTED

China	4
Egypt	2
Mexico	1
Tunisia	1
India	1
TOP 5 countries as at 30.06.2021:	(90%) 9
Worldwide as at 30.06.2021:	(100%) 10

THE FIRST HALF-YEAR AT A GLANCE

1.8 billion

The new **cover volume** assumed in the first half-year of 2021 was 1.8 billion euros (capital and earnings), thus coming in substantially higher compared both with the same period of the preceding year (0.7 billion euros) as well as the entire year (0.9 billion euros). This is first and foremost due to the fact that the Federal Government assumed high cover volumes in respect of individual major projects in the first half-year of

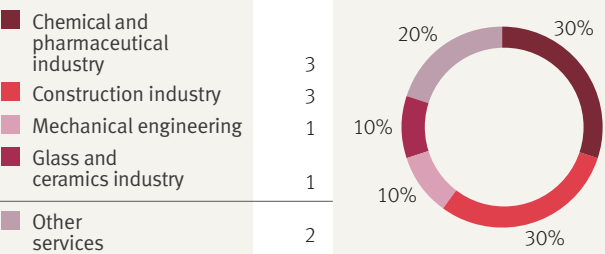
10 guarantees

2021. The number of guarantees accepted, in contrast, decreased (first half-year 2021: ten; first half-year 2020: 34). This was in all likelihood mainly due to the difficult climate for international investment which still prevailed in the first half-year of 2021 as a result of the COVID-19 pandemic. The eight covered projects are distributed over six **emerging markets and developing countries** (first half-year 2020: eleven).

98% of newly assumed cover volume was accounted for by Asia, so that this continent – as in previous years – was the **regional focus** of covered investments in the first half-year. In terms of the number of applications approved, Asia also led the field with 50% ahead of Africa with 40% and Central and South America with 10%. China took pride of place among the host countries both by number and volume of guarantees assumed by a considerable margin. In second place were Egypt (by number of guarantees) and India (by cover volume of assumed applications).

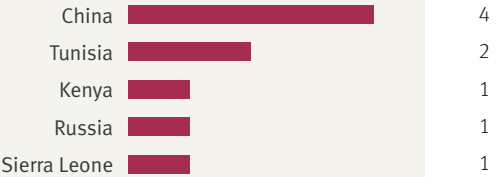
Every fourth applicant (first half-year 2020: 22%) in the first half-year of 2021 was **applying for the first time**. The companies applied for cover to secure projects in Mexico and China. In the first half-year, 10% of newly assumed cover went to **small and medium-sized enterprises**.

NUMBER OF APPLICATIONS APPROVED BY SECTORS



Total as at 30.06.2021: 10

TOP 5 COUNTRIES
NUMBER OF NEWLY REGISTERED APPLICATIONS



TOP 5 countries as at 30.06.2021: (75%) 9

Worldwide as at 30.06.2021: (100%) 12

Although the number of **newly registered applications** in the first half-year declined (twelve; first half-year 2020: 30), the volume of the newly registered applications, 3.7 billion euros, was significantly higher than the year before (2.5 billion euros). The regional focus of the new cover volume applied for was China, followed by Sierra Leone. The greatest demand in terms of the number of newly registered applications was also for China as well as Tunisia.

As regards **pending applications**, too, a significant rise is apparent. The pending applications overall stand as of mid-2021 at a total volume of 11.5 billion euros (mid-2020: 7.0 billion euros). The largest single amounts here are for projects in China (4.8 billion euros) and Russia (2.6 billion euros), which have ranked among the TOP 5 countries for many years, followed by the United Arab Emirates (2.2 billion euros), Argentina (0.8 billion euros) and Indonesia

(0.2 billion euros). In numbers of pending applications (198), projects in Russia and in China lead before Argentina, South Africa and Ukraine. As a rule, pending applications are applications which were made now in order to observe the stipulated deadline and are successively being completed by the companies concerned.

The number of **enquiries** (80), too, is also markedly up year-on-year (first half-year 2020: 54). The share of enquiries submitted by small and medium-sized enterprises, too, stayed at a consistently high level (59%; first half-year 2020: 61%). This indicates in general that companies of all sizes continue to have a substantial need for risk protection, although the concrete implementation of new investments is clearly being held back. In the policyholder survey held at the end of 2020, the companies stated that the pandemic was having a severe impact on the timing and the regional implementation of investment

COVER POLICY ON INDIVIDUAL COUNTRIES

projects. In addition, every second respondent in the survey perceived an increased political risk in connection with the effects of the pandemic¹.

80% of approved applications in the first half-year are accounted for by the industrial sector. The chemical and pharmaceutical industry and construction were the leading **sectors** here (each with 30%). 20% of guarantees assumed went to services and thus the tertiary sector.

The newly assumed guarantees support projects with an **investment volume** totalling 8.5 billion euros, which secure or create some 3,700 **jobs** in the host countries. At the same time the covered projects also contribute to safeguarding jobs at production locations in Germany.

In the first half-year of 2021, the Interministerial Committee for Investment Guarantees approved the assumption of guarantees for projects in the **Compact with Africa** countries **Tunisia** and **Egypt**. In both cases, full cover for the invested capital was given. For Egypt, the self-retention in an event of loss was reduced from 5% to 2.5% due to the special eligibility of the project for cover.

In addition, the Federal Government gave full cover for the invested capital on the basis of a guarantee application for a project in **Mexico**. The investment protection chapter contained in the free trade agreement negotiated between the European Union and Mexico (EUMFTA), which is due to enter into force in the medium term, is already expected to replace the bilateral German-Mexican Investment Protection

Treaty (BIT) during the term of the guarantee. For this reason the Federal Government has assumed cover both on the basis of the BIT and the EUMFTA. Against the background of the termination provisions and the retroactive period envisaged for the EUMFTA, the term of the guarantee will initially be 13 years.

¹ Cf. p. 20f. Annual Report of the Investment Guarantees 2020



The Federal Government also assumed a guarantee in the first half-year of 2021 for the invested capital in a project in **India** on the basis of the country's domestic legal system. The Federal Government also made a positive decision on the lifting of exchange rate limitations in the event of a claim regarding the loan, which

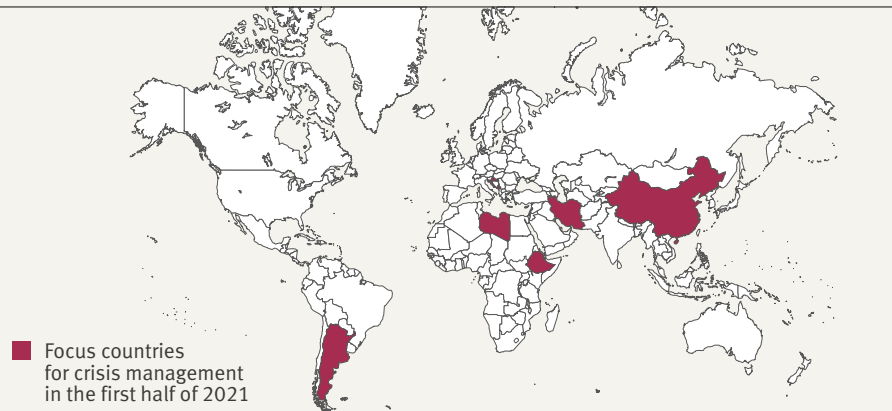
was denominated in Indian Rupees. In order to take account of the principally elevated legal protection risk in comparison with a BIT, a premium rate of 0.6% p.a. as well as a self-retention in the event of expropriation of 10% applies here for newly assumed cover in India.

CRISIS MANAGEMENT AND LOSS PREVENTION

Once again, the Federal Government supported several covered investment projects in the first half-year of 2021 in order to prevent the failure of the projects and the occurrence of events of loss. The main focus of such crisis management was on covered projects in Argentina, Ethiopia, China, Iran, Croatia, Libya and Montenegro. No claims were paid out during the period under review.

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ACTIVE CRISIS MANAGEMENT WORLDWIDE



TOP 10 COUNTRIES RELATING TO GUARANTEE PORTFOLIO
NUMBER AND VOLUME OF GUARANTEES AS AT 30.06.2021



RESULT OF THE FIRST HALF-YEAR

The maximum liability of the Federal Government (exposure) from outstanding commitments at mid-year 2021 stands at 28.3 billion euros and thus remains at a high level (end of 2020: 27.6 billion euros). The number of guarantees in the portfolio has fallen to 614 (end of 2020: 643) due to the expiry of guarantees, loan repayments and cancellations.

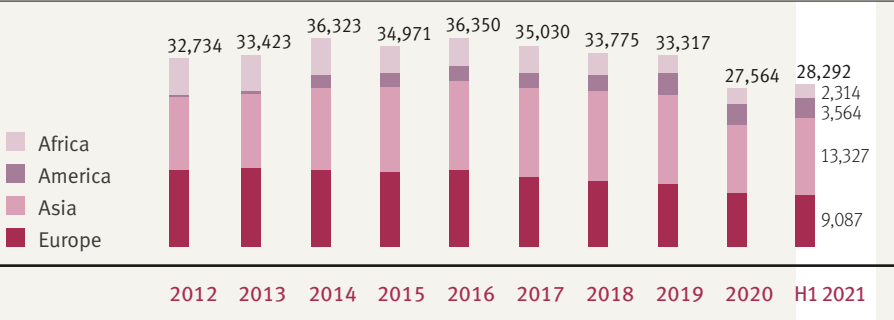
28.3 billion

The guarantee portfolio at the end of the first half-year comprised projects in 59 countries, whereby the composition of the TOP 10 countries in the guarantee portfolio remained unchanged in comparison to the previous year. With 47%, the major share

of the portfolio continued to be accounted for by projects in Asia (predominantly in China and India). 32% of outstanding liabilities were for projects in (Eastern) Europe, here above all Russia and Turkey. Projects in Central and South America came in third place with 13%, while projects in Africa accounted for 8% of the guarantee portfolio. In volume terms China, with 10.6 billion euros of covered investments, was the country with the highest value; projects in Russia came second with 7.4 billion euros. In absolute numbers of guarantees too, projects in China and Russia lead the field.

In terms of its guarantee portfolio, the Investment Guarantee scheme of the Federal Republic of Germany took second place at the end of 2020 in an international comparison of the insurers organized in the Berne Union, the international organization of credit and investment insurers.

MAXIMUM LIABILITY (EXPOSURE) 10-YEARS SURVEY REGIONAL DISTRIBUTION IN MILLION EUR



Investment Guarantees: an instrument to promote foreign trade and investment provided by the



Commissioned to implement the federal funding instrument Investment Guarantees:



Investment Guarantees of the Federal Republic of Germany

Investment Guarantees have been an established and effective foreign trade promotion instrument of the Federal Government for decades. Investment Guarantees protect eligible German direct investments in developing countries and emerging economies against political risks. This promotion instrument plays an important role in fostering economic growth as well as in protecting and creating jobs both in the host country and in Germany. The Federal Government commissioned PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to manage the federal funding instrument Investment Guarantees.

Information on other foreign trade promotion instruments of the Federal Government can be found at www.bmwi.de under the heading Promotion of foreign trade and investment.

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