

INVESTMENT GUARANTEES



INTERIM REPORT 2019

INVESTMENT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Direct Investments Abroad**

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2.8 billion

In the first half-year of 2019 the Federal Government assumed investment guarantees to the tune of 2.8 billion euros (capital and earnings). The highest volume of new cover was accounted for by China.

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21% / 26%

The share of small and medium-sized enterprises in newly assumed cover was 21%, equivalent to the share of such companies in the overall guarantee portfolio. 26% of applicants were using the instrument for the first time.

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43 guarantees

43 guarantees were assumed in 15 countries. These included the “Compact with Africa” countries Ethiopia and Ghana as well as, after a hiatus of 16 years, Argentina and for the first time, India on the basis of its national legal system.

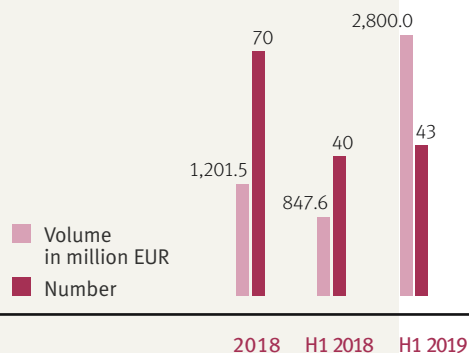
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34.5 billion

The guarantee portfolio of the Federal Government as of mid-2019 stands at 34.5 billion euros, and thus is higher than at year-end 2018 (33.8 billion euros). With 10.7 billion euros of covered investments, China posts the highest value of any single country.

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DEVELOPMENT OF ACCEPTED APPLICATIONS



TOP 5 COUNTRIES (APPLICATIONS ACCEPTED BY VOLUME) IN MILLION EUR

China	905
Argentina	809
Mexico	429
India	352
Russia	67

Subtotal as at 30.06.2019: (92%) 2,562

Total as at 30.06.2019: (100%) 2,800

THE FIRST HALF AT A GLANCE

2.8 billion

The **new cover volume** in the first half-year of 2019 was 2.8 billion euros (capital and earnings), thus coming in more than three times as high as the corresponding period in the previous year (0.8 billion euros). This steep increase is primarily due to a number of major projects.

43 guarantees

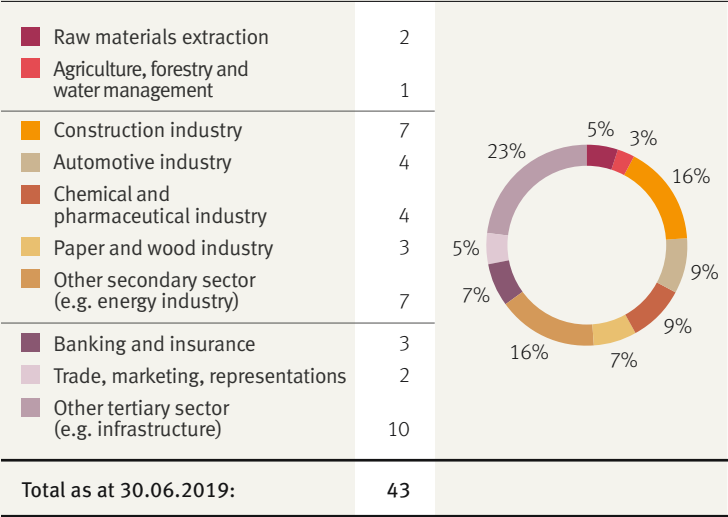
This resulted in the assumption of investment guarantees in 15 **emerging markets and developing countries** in the first six months of 2019 (1st half-year 2018: twelve). These included, after a hiatus of 16 years, Argentina again, as well as for the first time India on the basis of its national legal system. In addition, there were also seldom covered countries such as Bosnia-Herzegovina and Tanzania. On top of this, guarantees were assumed for two countries under the “Compact with Africa” (Ethiopia and Ghana).

The **regional focus** of newly assumed cover in the first half-year of 2019 was Asia (first and foremost China) with 48%, followed by Central and South America with 44%, (Eastern) Europe with 5% and Africa with 3%. In terms of the number of applications approved, Asia also led the field with 33%, but here (Eastern) Europe was hard on its heels with 30%, followed by Africa (21%) and Central and South America (16%). As in the equivalent period one year earlier, China again took first place. After becoming eligible for cover again in January 2019, Argentina and India once again rank among the TOP 5 countries.

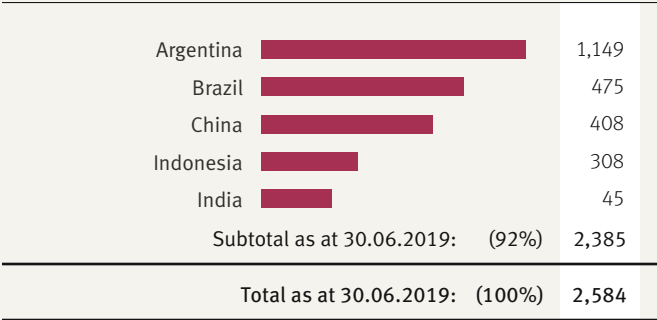
The share of **small and medium-sized enterprises** in newly assumed cover in the first half of 2019 was 21%, in line with their share in the current portfolio overall.

21% / 26%

NUMBER OF APPLICATIONS APPROVED BY SECTORS



TOP 5 COUNTRIES
(APPLICATIONS BY VOLUME) IN MILLION EUR



In addition, every fourth company for which a guarantee was assumed in the period under review was **applying for the first time**.

Measured in terms of the number of approved applications, manufacturing took pride of place among the **sectors** in the first half-year of 2019 (57%). Projects here were predominantly in the construction sector, followed by chemicals and pharmaceuticals and the automotive industry. After these came services, now increasingly in demand (35%), with banking and insurance as the most important single sector (7%) ahead of projects for the extraction of raw materials and agricultural and water management projects (together 8%).

The investment guarantees newly assumed in the first half-year of 2019 supported projects with an investment volume of 5.2 billion euros in total, which safeguarded or created some 5,600 **jobs** in the host countries. The covered projects also

make a substantial contribution to securing jobs at production locations in Germany.

New applications with a volume totalling 2.6 billion euros (capital and earnings) were received up to the end of June 2019. Among the countries for which there was the highest demand Argentina – readmitted to cover in January 2019 – took first place. While China has been among the TOP 5 countries for many years, the first half-year 2019 now also saw Brazil, Indonesia and India represented here. The overall volume of pending applications in mid-2019 stood at 8.6 billion euros. In most cases, these are applications which were made now in order to observe the stipulated deadline and are successively being completed by the companies concerned. In the number of pending applications (301), Russia came in ahead of China and Ukraine, followed by India and Iran. In terms of volume, in contrast, Argentina came second after Russia.

HOST COUNTRY RISK ASSESSMENT

For the first time since 2003, the Federal Government again made a decision on cover for **Argentina**. Full cover was granted here for the capital invested. The basis for this was the currently valid German-Argentinian Bilateral Investment Treaty (BIT).

In addition, the Interministerial Committee (IMC), which is responsible for deciding on the assumption of guarantees, took a positive decision for the first time for a project in **Kuwait** on the basis of the German-Kuwaiti BIT. This decision is provisional, subject to final clarification of the legal protection for the specific project concerned.

In the first half-year of 2019 the Federal Government also assumed cover for the capital invested in projects in **Ethiopia** and **Ghana** (countries in the “**Compact with Africa**” initiative). This was done in each case on the basis of the BIT between Germany and the two countries. In particular, unrestricted cover was includ-

ed here for the conversion and transfer risk as well as the risks from payment embargoes or moratoriums.

For the first time since 1972 a guarantee giving comprehensive cover for the capital invested was assumed for a project in **Tanzania**. It is a precondition for the applicability of the German-Tanzanian BIT that the capital investments by the German investors must have been approved under existing Tanzanian legal provisions.

The IMC has now decided for the first time on cover applications for projects in **India** on the basis of the country’s national legal system. In this, the Federal Government has assumed full cover for capital and earnings. 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.

On top of this, the Federal Government has also assumed full cover for the capital invested in a project in **Bosnia-Herzegovina** on the basis of the applic-

able BIT. In doing this, the Federal Government has confirmed its country cover practice in respect of this country, i.e., extending the indemnification disbursement period for loans by three months to nine months for conversion, transfer, and payment embargo or moratorium risks.



CRISIS MANAGEMENT AND CLAIMS PAYMENTS

The Federal Government supported several covered investment projects with **political and diplomatic measures** in the first half of 2019 in order to prevent the failure of the projects and the occurrence of an event of loss. The goal of such support is thus to secure the continued viability of the project in the long term.

Crisis management here focused on difficulties in **Belarus, Iran, Montenegro, Russia, Ukraine, China** and **Turkey**. Examples of such problems can be payment difficulties on the part of state contractual partners, unlawful action by national tax and approval authorities as well as war-like events at the project location.

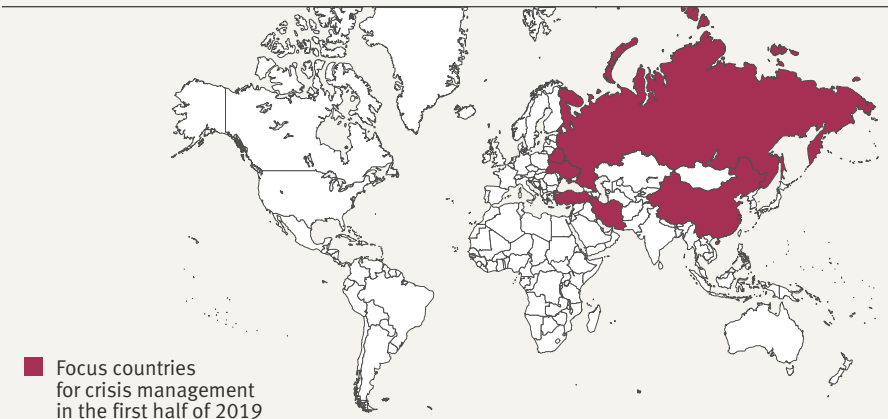
Crisis management action in the first half-year of 2019 – as also in previous years – had a high rate of success. In particular, by involving Federal Government ministries and through the participation of

representatives of the embassies at local court hearings, it was possible to avert events of loss both in Russia and in Turkey.

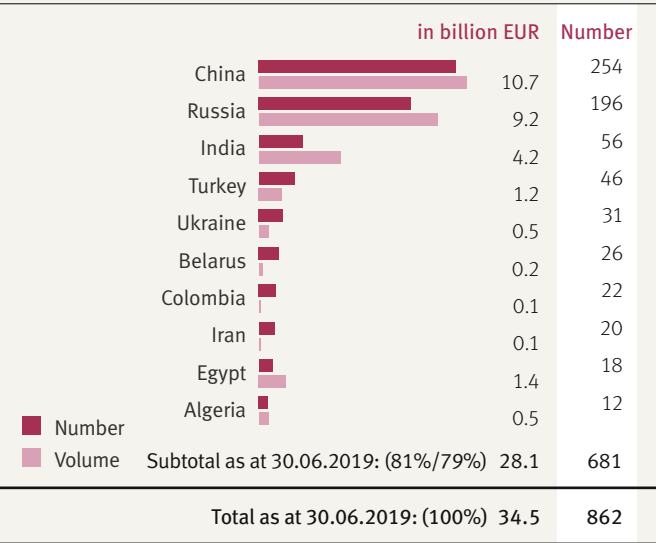
No claims were paid out during the period under review.

For German speakers further practical information on this topic is available under the link to our webinar recording “**Investitionsgarantien – Krisenmanagement des Bundes**“.

ACTIVE CRISIS MANAGEMENT WORLDWIDE



TOP 10 COUNTRIES RELATING TO GUARANTEE PORTFOLIO
(NUMBER AND VOLUME OF GUARANTEES AS AT 30.06.2019)



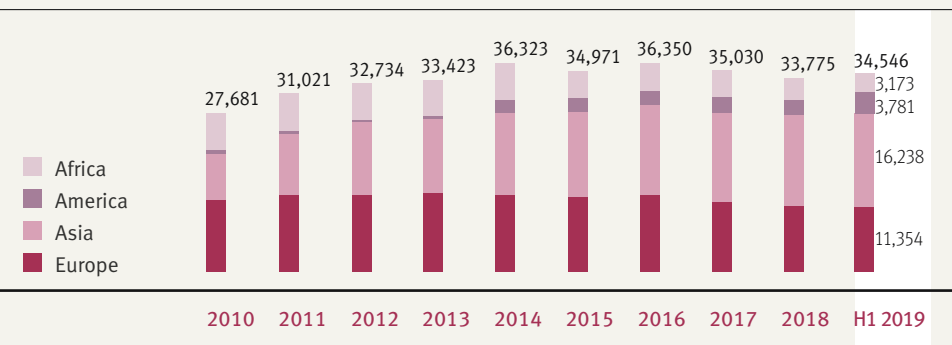
RESULT OF THE FIRST HALF-YEAR

The maximum liability of the Federal Government (exposure) from outstanding commitments at mid-year 2019 stands at 34.5 billion euros, up on the figure at year-end 2018 (33.8 billion euros). The number of guarantees in the portfolio (862) also remains at a high level.

34.5 billion

The greatest part of the portfolio is accounted for by Asia (mainly China and India) with 47%. (Eastern) Europe (here above all Russia and Turkey) takes second place again with 33% ahead of Central and South America (principally Mexico and Argentina) with 11% and Africa (mainly Egypt) with 9%. In volume terms China, with 10.7 billion euros of covered investments, posts the highest value of any single country, coming in substantially ahead of Russia (9.2 billion euros). In numbers of guarantees too – as in preceding years – China also leads the field ahead of Russia and India.

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



In terms of its guarantee portfolio, the Investment Guarantee scheme of the Federal Republic of Germany took second place in a comparison of the insurers organised in the Berne Union, the international organisation of credit and investment insurers, at the end of 2018.



Federal Ministry
for Economic Affairs
and Energy

OUR PARTNER



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 investment guarantee scheme is managed on behalf of the Federal Republic of Germany by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as mandatary of the Federal Government.

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

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