THE FEDERAL GOVERNMENT TAKES A LANDMARK DECISION ON THE INVESTMENT GUARANTEE SCHEME – INCENTIVES FOR A GREATER DIVERSIFICATION OF FOREIGN TRADE

The Federal Government has agreed to change the investment guarantee scheme of the German Government. In the light of the current fraught geopolitical situation, it is intended to offer even more effective support to German companies in their efforts to open up new markets. This applies to projects in countries which were hitherto not in the focus of industry, but nevertheless have great potential. Specifically, more favourable conditions for the assumption of cover are planned to offer greater incentives for investment in such countries. This is intended to broaden the scope of German foreign investments. The precise list of the countries being considered and the details of the conditions will be worked out by the Federal Government by the end of the year.

In addition, an element of the decision in principle is a moderate, but targeted tightening of the conditions in those countries in which an excessive concentration of covered projects has accumulated: in countries with a share of more than 20 % of the total cover volume of the investment guarantee scheme, the annual premium will be increased from 0.50 % of the covered investment volume under normal circumstances to 0.55 % with immediate effect.

Furthermore, a maximum cover limit of three billion euros per company and target country will be introduced (a so-called ceiling), whereby associated companies are included in the calculation (Group assessment). Exceptions are only possible in certain strictly limited cases involving Germany’s special strategic interests. This ceiling is equivalent to about 10 % of the current cover volume of the investment guarantee scheme and is to be reviewed and if necessary adjusted every three years. The introduction of this cover ceiling will help to spread the risks more widely. Existing guarantees exceeding the cover ceiling will only be extended for a transitional period of five years, and this will be on tighter conditions.

With the Federal Government investment guarantees, a tried and tested instrument for the promotion of foreign trade, German companies can insure eligible investments in emerging markets and developing countries against political risks such as, e.g. war, expropriation, capital constraints or restrictions on the transfer of funds. Decisions on whether to assume investment guarantees are taken by an Interministerial Committee (IMC) consisting of, besides the Federal Ministry for Economic Affairs and Climate Action (BMWK), the Federal Ministry of Finance (BMF) the Federal Foreign Office (AA) and the Federal Ministry for Economic Cooperation and Development (BMZ).

The decision in principle by the Federal Government to recalibrate the guarantee instrument will form the basis for future decisions on assuming investment guarantees.