



FOR FOREIGN INVESTMENTS

INVESTMENT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Direct Investments Abroad**



COVER – WHY?

Investment Guarantees are part of the foreign trade and promotion scheme of the Federal Government. They support **German** investors doing business in developing and emerging countries.

These guarantees **protect** German investors **against political risks** due to unpredictable events that can have adverse effects on their business ventures abroad. Backed with the **political support** of the German Government investment guarantees form an important part of the **investor's overall risk management** and facilitate borrowing to **refinance** investments abroad.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) has been mandated by the Federal Government to manage the Investment Guarantee Scheme. PwC has many years of experience in dealing with the responsible political committees and a comprehensive advisory expertise for projects abroad. This ensures an easy and quick application process for investment guarantees.



HOW TO APPLY

To obtain cover please file an **application** with PwC – this should be done before any contributions to the capital investment are made. The required application form as well as basic information on the procedure can be downloaded under **www.investitionsgarantien.de/en**. Information in hardcopy is available on request. Please contact us for more information. We offer you free of charge expert advice on all aspects and issues concerning the Investment Guarantee Scheme, and we are prepared to do this prior to your application when you already discuss plans of projects with your banks and consultants. Take this opportunity and consult us for expert advice prior or in the early stage of your investment decision process. Country information on commercial practices, business climate, market analyses, law, import procedures, customs duties can be found on the website of Germany Trade & Invest (www.gtai.de).

WHAT YOU HAVE TO KNOW AS WELL:

- **handling fee** – for amounts up to 5 million euros no handling fee will be charged; for amounts in excess of 5 million euros a handling fee of 0.5‰, however, a maximum of 10,000.- euros will be charged
- **guarantee premium** – a guarantee premium of 0.5% per annum is charged for the covered amounts (capital and in case annual earnings),
- the initial **guarantee period** is 15 years, in exceptional cases 20 years (a prolongation is possible),
- as a rule indemnifications are paid after deduction of an **uninsured percentage** of 5%



WHAT CAN HAPPEN TO AN INVESTMENT ABROAD

Investing abroad may expose investors to an uncertain political environment. These political risks are neither predictable nor avoidable by investors.

Due to the actions of the government of the host country or its failure to act, such as

- discriminating legal changes or other fundamental changes of the legal basis for entrepreneurial activities,
- disturbance of the public peace,
- armed conflicts,
- politically motivated acts of terrorism,
- convertibility and transfer problems,

the **rights of an entrepreneur** can considerably be jeopardised or his **assets abroad** can be deprived or destructed. In this case it is essential to **avoid, limit or compensate losses!**

- The Federal Government supports German investors by
- involving its diplomatic representations to **avoid losses** in close co-operation with the investors long before the occurrence of cases of loss,
- **participating** under certain circumstances **in the costs of loss prevention,**
- **paying an indemnification** if covered political risks occur.

THE FEDERAL GOVERNMENT PROVIDES COVER...

for the **invested capital** and (within certain maximum amounts) for **earnings** from

- equity participations in enterprises,
- capitalisations of legally dependent branch offices or plant locations (endowment capital),
- investment-like loans granted to enterprises,
- other rights qualifying as assets such as, for example, production sharing agreements for crude oil and natural gas under service contracts, cross-border concessions and licences as well as bonds,

against **political risks**, such as

- nationalisation, expropriation,
- breach of contract by host country authorities,
- war, revolution, civil commotion or related politically motivated acts of terrorism (on application isolated acts of terrorism as well),
- payment embargoes or moratoriums,
- convertibility/transfer problems,

provided that

- the project has been considered as eligible **for promotion** (with regard to environmental impacts, positive effects on the host country as well as positive reverse effects on Germany),
- there is **sufficient legal protection** in the host country (as a rule provided by a bilateral Investment Protection Treaty).

www.investitionsgarantien.de/en

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



Federal Ministry
for Economic Affairs
and Energy

Commissioned to implement the federal funding instrument Investment Guarantees:



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