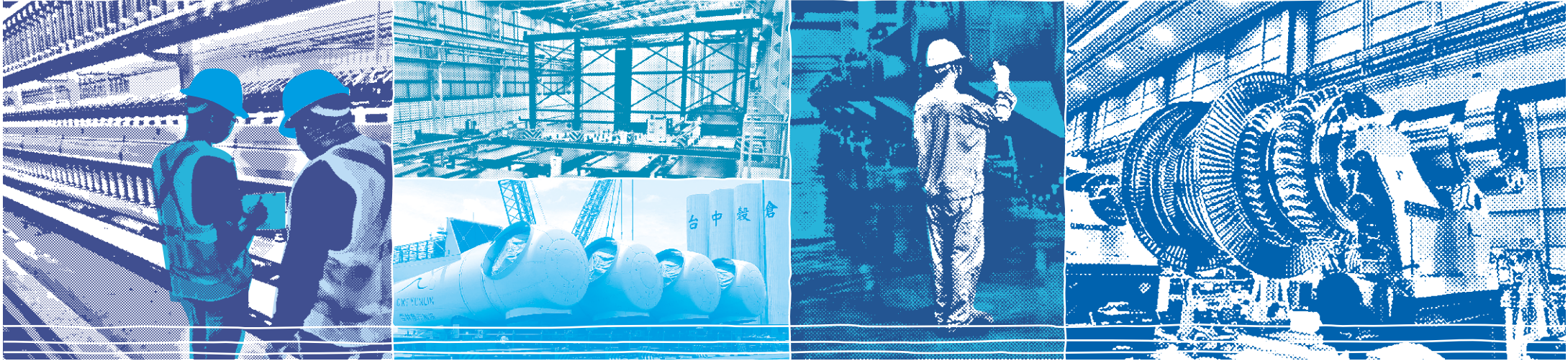


EXPORT CREDIT GUARANTEES



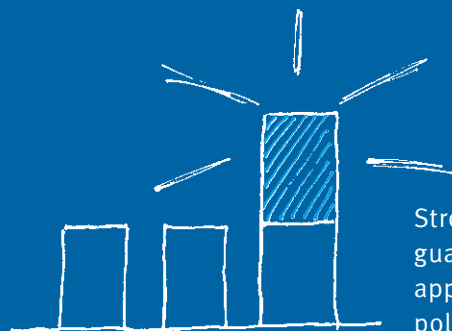
ANNUAL REPORT 2020

FEDERAL EXPORT CREDIT AND
UFG-GUARANTEES

► **Hermes Cover**
► **Untied Loan Finance**

Climate protection

IMC develops climate strategy for export credit guarantees.



Demand

Strong demand for export credit guarantees. 35% increase in applications. Number of new policyholders more than doubled.

80.4% Emerging economies and developing countries accounted for 80.4% of total cover.

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

Digitisation

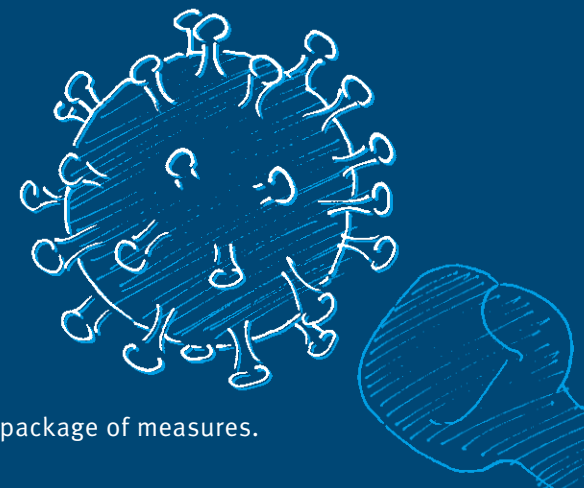
Study examines the impact of the digital transformation on export credit guarantees.

168 countries

The Federal Government issued export credit guarantees for exports to 168 countries in 2020.

Hermes Cover in the pandemic

Federal Government adopts 5-point package of measures.



12 raw materials in 14 countries

Over the last five years, the Federal Government has confirmed the eligibility of raw material projects in 14 countries for 12 different raw materials in the light of supply considerations.

UFK-GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Untied Loan Finance**

4.7 billion

The Federal Government's exposure under aggregate outstanding guarantees came to 4.7 billion euros as of the end of 2020.



Dear sir or madam,

The Covid-19 pandemic left deep traces on the German export sector last year, posing unprecedented challenges. Many successful companies were suddenly faced with existential problems through no fault of their own.

Business models that had been successful and stable for many years faltered from one day to the next.

To support the German export sector and its employees, the Federal Government therefore took various measures immediately after the outbreak of the coronavirus pandemic to enable companies and export-financing banks to shield transactions from

the risk of payment defaults and to continue obtaining government-backed finance despite the crisis. The 5-point package of measures with which we once again significantly improved the cover and financing options available for export transactions played a decisive role in this.

All in all, the Federal Government provided export credit guarantees worth 16.7 billion euros in 2020. Consequently, they proved their merits as a relevant and reliable instrument for promoting foreign trade even in times of crisis.

As regards the further development of export credit guarantees, the Federal Government made significant progress in two strategically important areas in particular in 2020. Under the German EU Council Presidency, the foundations were laid for a fundamen-

tal reform of the OECD rules. Modern international frameworks for export finance are crucial for ensuring a level playing field among export nations.

Another important milestone concerns the transition to a climate-neutral economy. The climate strategy launched for the Federal Government's export credit guarantees provides incentives for climate-friendly exports, thus helping German exporters to complete their transformation process.

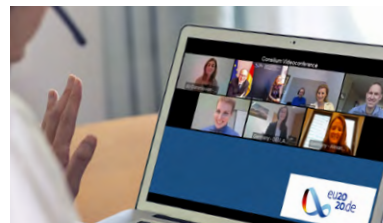


Peter Altmaier
Federal Minister of Economic Affairs and Energy



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THE TASKS OF THE INTERMINISTERIAL COMMITTEE

5

Immediately after the outbreak of the Covid-19 pandemic, the Interministerial Committee (IMC) for Export Credit Guarantees decided to pay even closer attention to the stability of foreign buyers' pre-crisis business models and financial situation in addition to their current key figures when examining the commercial risks. With this decision, the IMC ensured the continued availability of cover for goods and services as well as export finance.

Demand

Strong demand for export credit guarantees. 35% increase in applications. Number of new policyholders more than doubled.

› [Page 7](#)

Hermes Cover in the pandemic

Federal Government adopts 5-point package of measures.

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EXPORT CREDIT GUARANTEES OF THE FEDERAL REPUBLIC OF GERMANY AT A GLANCE
IN MILLION EUR

	2019	2020
Statutory cover limit	148,000	160,000
Cover applications (volume) *	26,829	23,433
Small and medium-sized enterprises (share of exporters supported with guarantees in %) **	77.9	78.6
New business		
Covered export volume	20,998.5	16,714.7
of which for		
emerging economies and developing countries ***	15,688.6	13,439.6
industrialised countries ***	5,310.0	3,275.1
Covered exports for EU countries	4,321.6	1,257.2
Covered exports in % of total German exports	1.6	1.4
Results		
Revenues from		
Premiums and fees	563.0	653.1
Recoveries	550.3	230.9
from political claims	271.8	47.5
from commercial claims	278.4	183.4
Other income (exchange rate losses/gains)	0.3	-0.1
Expenses for		
Claims paid	383.2	286.1
for political claims	5.9	15.0
for commercial claims	377.3	271.1
Management fee	90.0	90.0
Annual result	640.4	507.8
Accrued result (since 1951)	6,350.1	6,857.9
Accounts subrogated to the Federal Government	3,593.5	3,435.8

BUSINESS OVERVIEW – 2020
AT A GLANCE

2020 was dominated by two conflicting trends: the decline in the volume of cover on the one hand and a disproportionately sharp increase in applications for export credit guarantees (“Hermes Cover”) on the other.

The absence of big-ticket projects caused the volume of cover provided to drop from 21 billion euros in the previous year to 16.7 billion euros in the year under review. One key reason for this is current conditions in the transport sector. Thus, the outbreak of the coronavirus pandemic brought cruise ship business – a sector that is traditionally heavily dependent on finance backed by the Federal Government – to an abrupt standstill. However, projects were cancelled or postponed in many other important industrial sectors as well.

* Including buyer credits

** Firms with up to 500 employees

*** Classification of countries see [p. 77](#)

Any differences in the sums are due to rounding.

Whereas demand for finance backed by guarantees issued by the Federal Republic gradually recovered in the aircraft segment in the second half of the year, it was largely absent in the maritime sector.

This contrasts sharply with the number of applications received. The Covid-19 pandemic

spurred demand for the Federal Government's export credit guarantees substantially.

The number of applications rose by a good 35% over the previous year. Applications for Wholturnover Policies in particular increased significantly (up 40%). Wholturnover Policies are

Demand

a proven guarantee instrument particularly for small and medium-sized companies (SMEs) that maintain business relations with multiple customers in different countries. As they are normally used to cover small-ticket transactions, the heightened demand for export credit guarantees is not fully reflected in the volume of cover provided.



With demand for new housing in Tashkent unabated, the Uzbek government is encouraging the construction of low-cost housing in the region. The medium-sized company Vollert Anlagenbau GmbH supplied plants for the production of precast concrete parts to Uzbekistan. The concrete elements are used to make walls and ceilings for flats and industrial buildings. The basis for this is a patent-pending construction system from Vollert that allows for the seismic activities in Uzbekistan. The Federal Government provided buyer credit cover as well as manufacturing risk cover and supplier credit cover for the project.

The increase in applications for export credit guarantees was also materially due to the extension of cover facilities to include “marketable risks” (see [p. 17](#)).

The current crisis prompted numerous companies to submit applications for export credit guarantees for the first time. The number of new policyholders more than doubled in the year under review to 188 (2019: 84).

Most of the deliveries and services covered were destined for the emerging economies and developing countries. They accounted for 80.4% of new cover.

Broken down by individual countries, Russia and Turkey, both classic markets for Hermes-covered exports, were at the top of the list.



53.6% of the cover provided was for single transaction policies (2019: 59.3%). Demand was particularly strong for cover for transactions with credit periods of between one and five years. Wholturnover Policies accounted for 46.4% of the new cover provided last year. At 7.8 billion euros, the turnover covered was down on the previous year (2019: 8.5 billion euros).

Despite the crisis, there was no increase in indemnification payments. In the year under review, the Federal Government paid indemnification of 286.1 million euros (2019: 383.2 million euros). However,

In what was the largest order ever received by the Hesse-based company, Buss-SMS-Canzler GmbH supplied thin-film dryers and linear dryers for several parallel lines of a sewage sludge drying plant in Shanghai. The sewage sludge that remains after cleaning the wastewater is dried in the machines supplied by Buss-SMS-Canzler GmbH and then disposed of in an environmentally friendly manner. The project was made possible through a partnership which the company forged with its long-standing partner in the Chinese market – Beijing Envirotec Co. Ltd. The Federal Government provided supplier and manufacturing risk cover for the transaction.



the Covid-19 pandemic is expected to result in a significant increase in both claims and payments for commercial loss in 2021 and 2022. This is already indicated by the higher payment defaults and payment deferral requests in 2020.

Income from premiums and fees increased to 653.1 million euros (2019: 563 million euros). Recoveries of indemnification paid in the past came to 230.9 mil-

lion euros (2019: 550.3 million euros). Interest income reached 91.4 million euros (2019: 381.6 million euros).

The outstanding risk under current guarantees issued by the Federal Government stood at 85 billion euros as of 31 December 2020 and was thus down on the year-ago figure (2019: 88 billion euros). Russia (11.7 billion euros), the United States (9.9 billion euros) and Turkey (8.5 billion euros) account for the highest outstanding risk.

At 507.8 million euros, the Federal Government's export credit guarantees made a positive contribution to the federal budget for the 22nd consecutive year (2019: 640.4 million euros). Interest income is not included in this calculation. Since being launched in 1949, the Federal Government's export credit guarantee scheme has thus achieved a cumulative positive result of 6.9 billion euros. The annual result is transferred in full to the federal budget.

Herbold Meckesheim GmbH supplied Turkey with two washing systems for cleaning PET bottles. The Turkish family-run business Gama Recycle produces staple fibres for textile production from the cleaned bottles. Until now, Gama Recycle has purchased its raw material – the bottle grindings from recycled PET bottles – from other companies, but now wants to recycle the bottles itself with the help of the equipment supplied. The Federal Government provided manufacturing, supplier and buyer credit cover for the transaction. The pictures show an identical system.

INTERMINISTERIAL COMMITTEE – IMC

Ministeries

BMWi

Federal Ministry
for Economic Affairs
and Energy
– lead function –



BMF

Federal Ministry
of Finance



AA

Federal Foreign
Office



BMZ

Federal Ministry
for Economic
Cooperation
and Development



Mandatory

- Euler Hermes Aktiengesellschaft

Experts

- Representatives of the exporting industries and banking sector
- KfW IPEX-Bank
- AKA Ausfuhrkredit-Gesellschaft mbH
- Federal Audit Office

COMPOSITION AND TASKS OF THE INTERMINISTERIAL COMMITTEE

The [Interministerial Committee](#) (IMC) is the central decision-making body for the provision of export credit guarantees. It also determines the cover policy for individual countries. In 2020, the IMC deliberated on 177 transactions in 12 meetings. This was supplemented by 46 meetings of the Small Interministerial Committee (SIMC, 157 transactions).

The Interministerial Committee is composed of representatives of the Federal Ministry for Economic Affairs and Energy, the Federal Ministry of Finance, the Federal Foreign Office and the Federal Ministry for Economic Cooperation and Development. The Federal Ministry of Economic Affairs and Energy has the lead function.

Decisions on whether to provide cover for a transaction are made on a consensual basis by the four

IMC ministries in the interests of ensuring consistency in economic, fiscal and foreign policy as well as international development activities. 14 experts from the export and financial sector advise the IMC.

The decision-making bodies

Generally speaking, the Interministerial Committee makes decisions on transactions with a volume of over ten million euros. The Small Interministerial Committee is responsible for decisions on transactions valued at between five and ten million euros. Euler Hermes Aktiengesellschaft as the Federal Government's mandatory makes decisions on applications for cover of up to five million euros in accordance with the instructions issued by and under the control of the Federal Government. In special cases, responsibility may be allocated to a higher level (mandatory, SIMC, IMC).

What are export credit guarantees?

State export credit guarantees ("Hermes Cover") are an important instrument for promoting foreign trade, shielding exporters and banks from payment defaults caused by economic and political factors. The range of products available addresses the entire value chain from production and delivery to payment of the final instalment.

Export credit guarantees transfer a large part of the risk of a payment default to the Federal Republic of Germany. In return for this, the policyholder pays a premium calculated on the basis of the risk involved. In the event of a loss, the Federal Government indemnifies the policyholder for the amount of the receivable covered (less uninsured percentage).

Export credit guarantees play a key role in risk management and finance as the Federal Government with its investment-grade rating lowers the credit risk. This has a positive effect on the financing terms. In many cases, Hermes Cover is a prerequisite for bank finance.

As a basic rule, all export companies and export financing banks domiciled in Germany are able to apply for the Federal Government's export credit guarantees regardless of their size or the type of transaction. The key criteria for the provision of cover include eligibility for trade promotion and the viability of the risks arising from the transaction.

OECD COUNTRY RISK CATEGORIES*

	previously	new
Algeria	4	5
Aruba	4	5
Bahamas	3	4
Botswana	2	3
Costa Rica	3	4
Ecuador	6	7
Hong Kong	2	3
Iran	6	7
Kosovo	7	6
Maldives	6	7
Mongolia	6	7
Namibia	5	6
Oman	4	5
Serbia	5	4
Suriname	6	7
Tunisia	5	6
Turkmenistan	6	7
Ukraine	7	6

* Premium is calculated according to eight country risk groups, in seven of which (1 = lowest risk, 7 = highest risk) the calculation is based on a set formula. In countries assigned to the highest country risk group 0 (OECD high income countries and the countries of the euro zone) a market-oriented premium is charged.

COUNTRY COVER POLICY AND RISK MANAGEMENT

The Interministerial Committee defines an appropriate cover policy for each country on the basis of its specific risk. This governs the conditions for the granting of export credit guarantees. One important parameter for the Federal Government's cover policy is the [OECD country risk classifications](#). These country classifications are binding on all export credit agencies in OECD member countries and form the basis for the minimum premium payable by the policyholder.

In 2020, the OECD experts reassessed the country risks of 18 countries. Three countries were upgraded and 15 downgraded as a result.

Information on the OECD classification system and a list of the current country classifications can be found here:



agaportal.de/en
Country Classification List

A further instrument for managing risk if no open cover policy is justifiable for the country is the establishment of a [country ceiling](#), in which the IMC sets a maximum credit limit available for a given country. As of 31 December 2020, ceilings had been defined for four countries.

COUNTRY CEILINGS IN MILLION EUR

(medium and long-term) Cuba	50
(short-term) Cuba	25
Dominican Republic	200
Serbia	200
Ukraine	250

EXPORT CREDIT GUARANTEES AND THE CORONAVIRUS PANDEMIC

Company closures, interrupted supply chains, deferred investments and collapsing markets: the Covid-19 pandemic has shaken the export industry, posing unprecedented challenges.

To support the German export industry and its employees, the Federal Government therefore took various measures immediately after the outbreak of the coronavirus pandemic to enable companies and export-financing banks to protect transactions from the risk of payment defaults and to continue offering government-backed finance despite the crisis. Thus, it raised the statutory cover limit for export credit guarantees from 148 billion euros to 160 billion euros.

The cover policy of the Interministerial Committee for Export Credit Guarantees also had a stabilising effect in the crisis. Despite the global economic downturn



worldwide, **no general restrictions** were imposed on cover. As in the past, Hermes Cover again proved to be a reliable and resilient instrument for promoting and securing foreign trade.



SML Films Ltd. is one of India's largest plastic film manufacturers. The product range mainly comprises polyester films for packaging applications, the textile industry and technical applications. A plant built by Brückner Maschinenbau GmbH & Co. KG at SML in the year under review includes a new film recycling system that recycles all production waste. An inline coater significantly reduces the input of raw materials during film production. The project is also modernising an existing plant to reduce energy consumption. The Federal Government is providing supplier and buyer credit cover for the transaction.

In addition, the Interministerial Committee's decision to evaluate buyers' creditworthiness on the basis of their pre-crisis business model and economic condition in specific cases rather than relying solely on the latest quarterly and half-yearly reports was of fundamental importance as these reports provided

only limited information on buyers' underlying economic and financial situation due to the coronavirus pandemic.

With this policy decision, the Interministerial Committee for Export Credit Guarantees ensured the

continued availability of substantial cover for goods and services as well as export finance in 2020 to an extent acceptable in the light of the prevailing risks.



The Mexican company Comercializadora La Presa supplies the domestic textile market with cotton and polyester yarn. Ferrostaal Equipment Solutions (a subsidiary of Jebsen & Jessen) was awarded a contract to equip the company with new machinery from German manufacturers over a period of several years and to arrange the financing for this: The exports, which range from spinning machines to drafting frames and accessories, will help the buyer to increase production capacity and quality and to meet demand. The Federal Government has provided combined supplier credit and buyer credit cover for the transactions.

5-point package of measures

agaportal.de/en
Priority Theme
Coronavirus



In July, the Federal Government adopted a pandemic support programme for the German export sector in the form of a **5-point package of measures**. It aims to improve the liquidity situation of exporters and importers, to facilitate finance for their business and to broaden the scope that banks have for funding loans in connection with export business.

Financing

Among other things, the package of measures provides for the introduction of 720-day buyer credit on special terms as well as the post-delivery provision of finance for certain transactions on a supplier

credit basis. Moreover, it introduced shopping line cover, a special form of buyer credit cover that facilitates German exporters' access to the procurement programmes of foreign buyers with a good credit standing.

Refinancing

The scope for refinancing for export-financing banks was also improved. The Federal Government has introduced an additional form of Securitisation Guarantee enabling banks to refinance Hermes-covered export loans through a German Pfandbriefbank. In addition,

the Federal Government now allows banks to opt for one-off indemnification for non-performing loans. This is an important step towards improving the appeal of export finance.

Liquidity

To cushion the effects of a pandemic-induced liquidity shortfall on the part of exporters, the Federal Government also granted concessions in the payment of fees for existing export credit guarantees. Among other things, these concessions apply to prolongations and the calculation of premium surcharges under Wholturnover Policies (APG).

Hermes Cover in the pandemic

Introduction of shopping line cover

The **shopping line cover** created in connection with the 5-point package of measures is a special form of buyer credit cover that specifically focuses on the importer.

Unlike traditional buyer credit cover, which insures loan claims resulting from financing an individual

German export transaction, the Federal Government guarantees the credit facility granted by a bank to a foreign buyer with shopping line cover.

This offers foreign buyers an additional incentive to order in Germany and improves the chances of German exporters being included in the procurement

programmes of foreign buyers with a good credit standing. Small and medium-sized enterprises (SMEs) in particular can benefit from this.

However, shopping line cover also offers buyers of German goods a number of advantages: they receive



Uzbekistan is the world's sixth largest cotton producer. It is therefore in the country's interest for cotton processing companies to be established in order to increase local manufacturing input. The Uzbek spinning mill WBM Romitex LLC placed an order with Trützschler GmbH & Co. KG for the construction of a turnkey textile production plant. 25,000 t of yarn a year can be produced on cross-wound bobbins from cotton and polyester fibres with the help of the plant. The transaction is being financed via a buyer credit provided by Landesbank Baden-Württemberg with the involvement of AKA Ausfuhrkredit-Gesellschaft mbH, with Joint Stock Commercial Bank ASAKA acting as the borrower on behalf of the importer. The Federal Government is backing the project with supplier and buyer credit cover. The picture shows an identical plant.

Marketable risks now also included in the cover provided by the Federal Government

an indication of the amount of a possible Hermes-covered credit facility. In addition, they benefit from favourable financing conditions available as a result of cover granted by the Federal Government.

Export-financing banks, in turn, have an advantage in that the documentation requirements are simplified considerably, thus reducing the administrative work required as loan applications are bundled. This also makes it more attractive for banks to finance small-ticket transactions.

On the basis of a decision by the EU Commission, the Federal Government extended the cover facilities available for goods and services at the end of March to include customarily [marketable countries](#).

Normally, export transactions on short payment terms (up to 24 months) within the EU and in certain OECD countries are considered to be marketable, meaning that state export credit guarantees are not available. At the end of March, the European Commission decided against the backdrop of the current crisis to temporarily classify such transactions as non-marketable, thus suspending this rule.

Since then, it has been possible to apply for export credit guarantees for export transactions on short payment terms for the delivery of goods and services to all 27 EU nations plus Australia, Iceland, Japan, Canada, New Zealand, Norway, Switzerland, the United Kingdom and the United States. The new rule, which was initially limited until the end of the year, has since been extended to 31 December 2021.

This additional cover made it possible for shortfalls in the private-sector export credit insurance market to be bridged.

Federal Government extends KfW Refinancing programme indefinitely

In October, the Federal Government decided to indefinitely extend the refinancing programme for export credits, which had originally been due to expire at the end of 2020. At the same time, the terms were improved. Among other things, a specific market test was dispensed with. In addition, the minimum term of the export loan was reduced by twelve months to two years. As well as this, the Federal Government decided that the refinancing framework could be increased if necessary. Currently, the KfW Refinancing Programme has an annual budget of 1.5 billion euros.

Via this programme, the KfW Bankengruppe (banking group) refinances the loans provided by commercial banks to finance German exports which are backed by an export credit guarantee issued by the Federal Government. In this way, the programme makes an important contribution to improving the financing situation for the German export industry.

The Egyptian state railway company ENR operates one of the largest and oldest railway networks on the African continent with a total length of around 9,600 km. It ordered two railway cranes from Leipzig-based KIROW ARDELT GmbH. The Multi Tasker railway cranes travel on the rails and can be used when tracks need to be laid, points replaced and bridge work carried out. In addition, they are suitable for recovering trains in the event of an accident. The medium-sized company built the cranes as one-offs in consultation with ENR. The Federal Government provided isolated manufacturing risk cover with a contract bond for the project.





THE INTERMINISTERIAL COMMITTEE IN CONTACT WITH STAKEHOLDERS

19

Intensive discussion with the business sector is particularly important in times of crisis. Accordingly, numerous talks were held with exporters, banks and associations on the future of export promotion. One highlight was the DigitalExportFinance conference, in which more than 100 experts participated online to discuss the impact of digitisation on the Federal Government's export credit guarantees. Internationally, 2020 was dominated by the German EU Council Presidency and further development of state export credit guarantees.

Digitisation

Study examines the impact of the digital transformation on export credit guarantees.

› [Page 20](#)

Climate protection

IMC develops climate strategy for export credit guarantees.

› [Page 35](#)

STUDY EXAMINES IMPACT OF THE DIGITAL TRANSFORMATION ON EXPORT CREDIT GUARANTEES

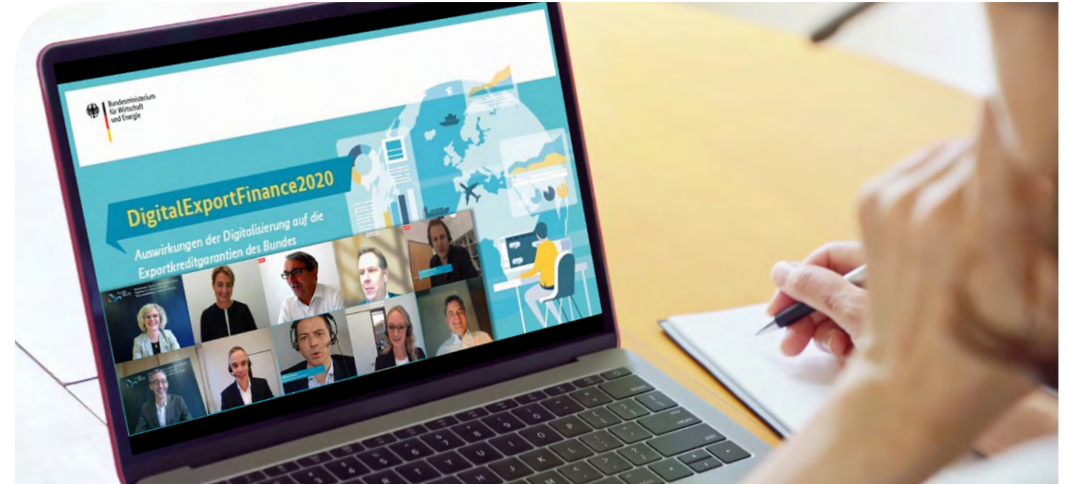
The **digital transformation** is fundamentally changing the way companies produce and trade with each other. Conventional export business of the type that has been prevalent for decades is already falling short of the growth rates achieved in earlier phases. Instead, new business models are being established on the basis of digital solutions oriented to the use of machines, for example. In addition, services and programming are increasingly replacing traditional exports of goods.

Reflecting the processes in the real economy, financing requirements and conditions are also changing.

This is being accompanied by a rapid transformation of value chains. Thanks to the digital transformation, completely new opportunities are opening up for the **internationalisation of the value chain**, which was already on the rise in the pre-digital world – with corresponding consequences for the German export model.

Digitisation

The digital transformation will permanently change the structure of the German economy and, in particular, the export sector even after the current crisis has been overcome. This also raises questions with regard to German foreign trade promotion and the Federal Government's export credit guarantees.



More than 100 experts attended the DigitalExportFinance conference in November 2020, discussing the impact of digitalisation on the Federal Government's export credit guarantees.

In a study commissioned by the Federal Ministry for Economic Affairs and Energy (BMWi), researchers from BSS Volkswirtschaftliche Beratung AG (economic consultants) working in collaboration with the Fraunhofer Institute for Systems and Innovation Research ISI and the Institute for Systemic Management and Public Governance at the University of St.Gallen investigated the impact of the digital transformation on the Federal Government's export credit guarantees.

Around 100 participants, together with researchers and representatives of the Federal Ministry for Economic Affairs and Energy and Euler Hermes, discussed the results of the study and concrete recommendations at the online DigitalExportFinance conference at the beginning of November.

One focus of discussion was the concept of eligibility for cover, which is an essential criterion for the provision of export credit guarantees; another concerned

the question of contemporary forms of financing and cover requirements for digital services.

The recommendations of the study as well as the conclusions drawn at the conference will be incorporated in the further development of the Federal Government's export credit guarantees and serve as a basis for continued dialogue between policymakers and the business sector.

The full study (in German only) can be found here:



agaportal.de
BMW Digitalisierungsstudie



Interview with Dr. Niclas Meyer on the digitalisation study

Dr. Niclas Meyer,
Senior Consultant, BSS
Volkswirtschaftliche
Beratung AG, and
head of the study

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*Mr Meyer, to what extent is the
digital transformation changing our
economy?*

We distinguish between two mechanisms, both of which are fundamentally changing the economy. On the one hand, we have “simple digitisation”, by which we mean the technical process of converting data from analogue to digital – such as from a vinyl record to a CD. On the other hand, we use the term “digital transformation” to refer to disruptive change in social and

economic systems. These two mechanisms have fundamentally different effects. Digitisation is inward-looking while the digital transformation is outward-looking. The main challenge posed by “simple digitisation” is to reduce complexity to enable process automation. The Federal Government’s export credit guarantees have already made considerable progress in this regard.

And what about the digital transformation?

That depends on what we’re talking about. The digital transformation has probably only just begun in the

financial and insurance industry – despite the fact that the industry now employs more IT professionals than anyone else.

As far as the export industry is concerned, we know that the first digital transformation has long since been completed: namely the internationalisation of the industrial value chain. The next transformation now concerns services.

What does this mean?

Digitisation is changing the nature of exports. We call this phenomenon “dematerialisation”. This means that

more and more intangible goods such as services as well as intellectual property or data are being traded.

Today, digital technologies make it possible to decouple the production and consumption of services in terms of space and partially also in terms of time. In principle, it is possible to have open heart surgery performed by a surgeon sitting on the other side of the world using a surgical robot.

What impact is dematerialisation having on foreign trade?

The phenomenon of dematerialisation is leaving traces on large parts of the

conventional export industry. Previously, the focus was on the sale of tangible goods – i.e. machinery and equipment. Today, however, only 15% of industrial enterprises have a business model based solely on the sale of physical goods. 85% of German industrial companies also offer product-related services, such as training or maintenance.

In the study, you identify different stages of dematerialisation.

What are these?

For us, product-related services are the first stage of dematerialisation. The second stage comprises industrial

companies that offer service-based business models, such as operator models or “equipment-as-a-service” models. 28% of German industrial companies now also offer such product-related services, with this figure rising to close to 50% in the case of companies that use export credit guarantees. The third stage of dematerialisation comprises business models that are not offered with companies’ own machinery but with third-party machines and systems.

What impact are the digital transformation and the dematerialisation of exports having on the Federal Government’s export credit guarantees?

The Federal Government has been covering risks associated with the export of raw materials, production machines or cruise ships for more than 70 years. Yet, hardly anyone knows how to address the risks that arise when German companies develop “smart grid” strategies in distant countries, send data to a 3D printer or release political comedies in foreign cinemas. This is why new cover instruments are needed because exporting services involves entirely new risks. And the eligibility of an export transaction for cover should also be reconsidered.

What concrete recommendations have you formulated on the basis of the results of the study?

We have defined five recommendations. Firstly, we recommend adapting the range of export credit guarantees so that service-based export transactions can be covered alongside traditional product-based export transactions in the future.

Secondly, we recommend targeting service companies in order to attract new customer groups.

Thirdly, the eligibility of an export transaction for cover should take into account the extent to which it contributes to strengthening German innovativeness. The extent to which prosperity can be maintained or even expanded depends largely on the

ability to continuously bring new products to the market and increase productivity.

Fourthly, we recommend that the Federal Government should give export finance platforms access to the range of cover options. However, this access should be tied to certain conditions, such as fair governance models.

And last but not least, the Federal Government and Euler Hermes should continue on the path already taken and digitise processes in order to accelerate the processing of applications for cover and claims.

ADVISORY SERVICES – ONLINE

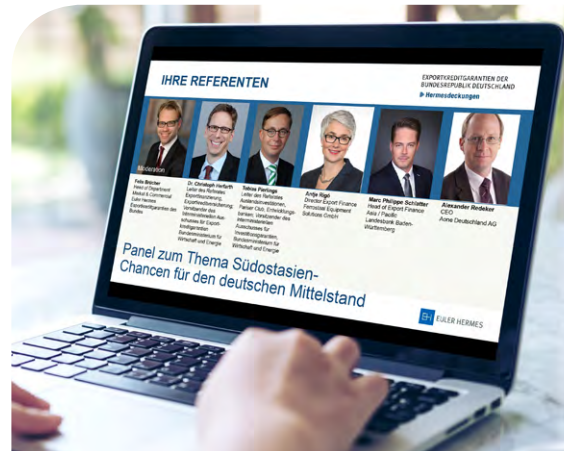
Contact restrictions on the one hand and an increased need for advice due to the Covid-19 pandemic on the other. Telephone conferences instead of physical trade fairs. Video conferencing instead of face-to-face conversations with customers. Hardly any other area of daily work was more affected by last year's restrictions and lockdowns than the provision of advice on export credit guarantees. 2020 posed very special challenges for the [business consultants](#).

Despite what in some cases were adverse circumstances, the business consultants held more than 2,700 meetings with customers last year. Conferences, consultancy days, specialist events, roadshows and information events were quickly transferred to the Internet. This also applied to the hands-on [“Bring your project to...”](#) workshop for exporters and banks. Southeast Asia was the destination of the virtual trip in 2020.

In interactive workshops and a panel discussion with Dr. Christoph Herfarth, Head of the Export Finance, Export Credit Insurance Unit at the Federal Ministry for Economic Affairs and Energy, as well as Tobias Pierlings, Head of the Foreign Investment Unit, Paris

Club, Development Banks at the Ministry for Economic Affairs and Energy, the participants discussed market opportunities as well as financing and cover options in this region together with representatives of the German Asia-Pacific Business Association (OAV), GTAI and the financing expert for the Southeast Asia region, Markus Leichum. This was followed by one-on-one talks to discuss specific business projects and their feasibility in detail.

“Bring your project to...” exemplifies the flexibility and innovativeness demonstrated by the business consultants in the year under review. Thanks to the swift adoption of digital formats and an extensive range of online events, the business consultants were able to maintain the necessary dialogue with SMEs, large corporates, banks, associations, as well as chambers of industry and commerce in Germany and abroad, thus fulfilling their advisory obligations despite the crisis.



The focus of the virtual practical workshop “Bring your project to South East Asia” was on government export guarantee and financing options for business in South East Asia.

FINANCING EXPERTS – SUCCESSES AFTER ONE YEAR

With the help of local [financing experts](#), the Federal Ministry for Economic Affairs and Energy has been offering special advice for customers based abroad via the German chambers of industry and commerce (AHKs) since September 2019. Despite the adverse conditions, this scheme has proven its merits a good year after being launched.

Financing experts in [Dubai](#), [Singapore](#) and [Nairobi](#) advise foreign buyers, local banks and German exporters and their foreign subsidiaries on all matters relating to export credit guarantees.

In addition to providing advice, they also support companies in discussions with their customers and financing negotiations. Small and medium-sized enterprises particularly made use of this scheme last year.



Since the end of the civil war in 2002, the Angolan government has been working to rebuild the country's infrastructure. This includes the rehabilitation of the road from Cariango to Mussende, which is an important transport link between three provincial towns and of great importance for local agriculture. GAUFF Engineering took on the project management for the planning of the road, the development of the foundation layers and the construction of bridges and the drainage system. The Federal Government supported the project by providing buyer credit cover, supplier credit cover and contract bond cover with counter-guarantees.

Interview with the financing experts Eva Rösler, Eva Steinhaus and Markus Leichum

The financing experts Eva Rösler (Delegation of German Industry and Commerce for Eastern Africa), Eva Steinhaus (German Emirati Joint Council for Industry and Commerce) and Markus Leichum (Singaporean-German Chamber of Industry and Commerce) have been advising companies and banks in East Africa, the MENA region and Southeast Asia on export credit guarantees and finance for a good year. So, it is time for an initial assessment.

The Covid-19 pandemic broke out before things really got going. Travel restrictions came into effect from one day to the next and face-to-face meetings were no longer possible. How did you experience the situation personally and adapt to these unique circumstances?



Eva Rösler: Fortunately, I had

an opportunity to travel to Uganda and Rwanda, visit local companies and hold a face-to-face seminar on export finance before the first coronavirus case was reported at the beginning of the year. I never guessed that this would be the last personal exchange for a long time to come. Yet, that's precisely what happened.



National borders and airports were closed from March.

Eva Steinhaus: In the UAE and the Gulf region, too, the lockdown started in

March. This meant that I had to stop travelling the region and was unable to carry out my plan of introducing myself personally to customers. Although online events were also included in the annual schedule from the outset, I couldn't

imagine at that time the central role that online communication would play in the following months.



Markus Leichum: The coronavirus reached Singapore and Southeast Asia

at the beginning of January 2020. We quickly realized that we would have to develop an active digital information strategy to stay in contact with our customers. Working swiftly and in close cooperation with the other foreign chambers of industry and commerce in Southeast Asia, we set up a digital ASEAN roadshow in which we presented the competence centre and provided information on recent developments, such as the 5-point package of measures.

Given this situation, how did you even manage to establish contacts with exporters, importers, traders, banks and consultants?

Eva Steinhaus: For me, it was helpful to already have a broad network in the UAE and in the region. Many new contacts emerged from the expansion of this network. The integration of the competence centres in the network of German chambers of industry and commerce and the close contacts with the German diplomatic missions in the region were also very helpful. At the end of the day, I conducted considerably more consultations than expected.

Eva Rösler: The East Africa delegate office in Nairobi organised platforms for virtual meetings and events at the end of March to ensure that business activities could continue. In the meantime, I have participated in more than a dozen virtual events or organised them myself and find the format very effective. The virtual meetings have an enormous reach and have significantly increased my radius. As a result, I am no longer confined to the East African region alone but am in contact with large parts of sub-Saharan Africa and held more than 450 meetings with companies from Africa and Germany.

Markus Leichum: Many German companies and banks serve the ASEAN market from Singapore and maintain close contact with the Singaporean-German Chamber of Industry and Commerce. This facilitated the establishment of a local network, especially in the early days. It was very impressive to see how quickly companies or local ministries in ASEAN adapted to the new situation. Despite the pandemic, more than 300 discussions were held with exporters, banks, importers and other institutions in the region.

What impressions has 2020 left on you and what do you particularly remember?

Eva Rösler: I was particularly pleased with the positive feedback from banks, exporters and importers, who repeatedly emphasise the importance for them of having specific local support. Among the absolute highlights, of course, are the transactions that were completed – for example, two buyer credits for local companies in Kenya for the purchase of German machinery.

Eva Steinhaus: I experienced the same thing. The first few deals in a new role are a great experience. But I was also impressed with and influenced by the exchange and cooperation between the financing experts in the

lockdown. Even though we are in three quite different regions located far apart, we have become a real team!

Markus Leichum: I also appreciated the close collaboration and the interaction with Euler Hermes. Working together, we arranged customer consultations and also held information events. This is an integrated approach to advisory services that works. The first applications for cover of transactions have been submitted and in some cases already received preliminary approval. That's not a bad achievement!

What expectations and goals did you enter 2021 with?

Eva Steinhaus: I am confident that the travel and contact restrictions will soon be eased and that face-to-face meetings will therefore be possible in other countries as well. I have a long list of interested parties from Egypt to Saudi Arabia and Qatar with whom I would like to talk in greater detail.

Markus Leichum: The discussions held last year give us reason for optimism in 2021. In addition to this, reaching out to customers and the

further expansion of the network are at the top of my list. Some events with exporters and banks have already been scheduled.

Eva Rösler: I am looking forward to successfully completing the business initiated in 2020 this year. I'm also planning a business trip to Tanzania. So keep your fingers crossed!

Please complete the following sentence. Looking back on my work as a financing expert three years from now, I would like to be able to say that ...

Markus Leichum: ... the competence centre has been firmly established and become an important point of contact for local investors who have questions concerning export credit guarantees and untied loan guarantees.

Eva Steinhaus: ... I am delighted with the multitude of interesting people, opportunities, solutions and exciting experiences during this time and am able to see that the world has come a little closer again.

Eva Rösler: ... I am proud of what has been achieved!

INTERNATIONAL COLLABORATION

The Federal Government's export credit guarantees are embedded in an international set of rules. The [OECD Consensus](#) is binding for officially supported export credits with repayment terms of two years or more. Among other things, it defines minimum standards for terms of finance in order to prevent a down-

ward competition spiral at the expense of national budgets and to ensure a level playing field. At the same time, state export credit agencies have been increasingly competing with other non-commercial operators for a number of years. They are being joined by new market participants such as internationally active

development banks, which are indirectly playing a more prominent role in the promotion of export business. The Federal Government is committed to a multilateral dialogue involving all stakeholders to return to a level playing field in state export promotion.

Demand for electricity and water is increasing continuously in Bahrain. The construction of a combined-cycle power plant with gas and steam turbines with a capacity of 1,500 MW therefore has high priority for the island state. Located next to the Al Dur I power plant on the east coast of Bahrain, the Al Dur II project also includes the construction of a seawater desalination plant to produce drinking water. Siemens Energy is supplying four gas turbines and two steam turbines as part of the project. The Federal Government is backing the project with isolated buyer credit cover. KfW IPEX-Bank in Frankfurt is providing the buyer credit.



The OECD Common Approaches

Adopted in 2004, the Common Approaches (Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence) determine the procedure and principles for assessing environmental and social aspects as well as safeguarding the observance of human rights. They are regularly updated.

EU Council Presidency

Germany took over the EU Council Presidency on 1 July 2020. Expectations for the German Presidency were high. This also applied to issues outside the political mainstream, such as foreign trade promotion. The

focus was on one topic in this connection, namely the further development of state foreign trade promotion in an international context.



From modernising the OECD Consensus to strengthening competitiveness, the Council Working Group on Export Credit Guarantees dealt with a wide range of topics in the field of state foreign trade promotion during the German Council Presidency.



Interview with Christof Wegner on the EU Council Presidency

Christof Wegner, who is responsible for international relations in connection with export credit guarantees at the

Federal Ministry for Economic Affairs and Energy, headed the Council Working Group on export credit guarantees. This was an honourable and very demanding task. At the end of a very busy Presidency, he looks back on this period full of satisfaction.

Mr Wegner, a key concern of the Council Working Group is the reform of the OECD Consensus. In particular, the financial terms and conditions such as credit periods, repayment or down-payment profiles are to be revised. What progress has been made in this regard?

Two milestones have been reached here. Firstly, the EU managed to achieve an agreement on the scope and mode of the reform with all the OECD Consensus Participants in two basic documents, comparable to the terms of reference. And secondly, the EU achieved an agreement on an ambitious overall approach to revising financing conditions and moving away from granular individual schemes in favour of a market-oriented pricing mechanism. This EU proposal has already been presented to the OECD partners.

Why is a reform of the OECD Consensus and financial terms and conditions even necessary?

agaportal.de/en
OECD Consensus



The Consensus has proven itself over many years, evolving into a complex set of rules that has increasingly incorporated special arrangements. At the same time, however, it has become rather rigid as a result, which made it difficult to adjust it in the light of the rapidly changing international financing landscape. For this reason, some Consensus Participants are increasingly using funding instruments outside the now cumbersome set of rules. If the Consensus is to continue helping to ensure a level playing field in the future, it must be revised in a way that is more attuned to the market and offer greater flexibility.

One topic of particular interest for exporters and banks to which the Council Working Group also devoted a great deal of time concerns the inclusion of local costs in cover. What was the outcome of discussions on this issue?

Fortunately, a breakthrough was achieved at the OECD level. The new rules, which closely follow the EU proposal, are expected to enter into force in the first half of 2021. They provide for a higher proportion of local costs to be covered. Until now, these have been capped at 30% of the value of the export transaction.

Sustainability and, in particular, climate protection were other important issues. Germany is currently working on a climate strategy for export credit guarantees. What attempts are being made to find an international solution in this area?

In what was one of the key achievements of our Presidency, we initiated a discussion process in the Council Working Group, which is leveraging the considerable momentum that this policy area has gained in the EU (“Green Deal”). That said, however, I am concerned that this dynamism within the EU is currently not being matched at an international or global level.

Asian countries – especially China – have become important export nations in recent years, sometimes undermining fair international competition between export nations as a result of state support outside the internationally existing regulatory framework. What strategy is the EU pursuing to restore a level playing field in export promotion?

In the context of the reform of the OECD Consensus, the EU is seeking to ensure that its exporters receive greater flexibility and room for manoeuvre. This is being complemented by new efforts to improve the effectiveness of the member states'

traditional export promotion schemes backed up by an EU strategy to enhance European exporters' competitiveness.

What conclusions do you draw after six months as chair of the Council Working Group?

Before the outbreak of the coronavirus crisis, we had set ourselves the ambitious goals already mentioned that Germany could reasonably be expected to achieve. In spite of the unforeseen pandemic conditions, we ultimately also achieved these goals thanks to the remarkable concerted efforts by the EU institutions, the member states and the Presidency team.

What will you definitely remember?

The joint activities with a highly motivated mixed Presidency team made up of representatives from the ministries and mandataries, together with my co-chair, Franziska Löke from Euler Hermes. This was fantastic. The pleasure we all had in performing this task, I would say, had a very positive impact on the Council Working Group as a whole.

And what could you have done without?

Working solely via online channels. And the cumbersome EU procedures – the

EU needs to become much more agile if it is to keep pace globally.

The Council Presidency passed to Portugal on 1 January 2021, to be followed by Slovenia on 1 July 2021. What expectations do you have with respect to the forthcoming Council Presidencies in terms of the further development of state foreign trade promotion?

We have been working closely with Portugal and Slovenia in a so-called "Trio Presidency". I am confident that in this way we have been able to lay the foundations for continuous progress. We need rapid, practical successes, especially in the reform of the Consensus.

Consultations

Despite the severe restrictions as a result of the Covid-19 pandemic, a number of bilateral and trilateral meetings were held with other government agencies and public-sector export credit insurance and

export finance institutions in 2020. The purpose of the [consultations](#) is to deepen cooperation between countries and to encourage mutual understanding of the different credit guarantee systems. Specifically, consultations were held with France, Japan, Switzerland and Austria.

In addition, the export credit agencies of Germany, Austria and Switzerland, which had agreed in 2019 to work together more closely within the framework of the “[DACH initiative](#)”, discussed topics currently of relevance for export promotion and financing at a high-level meeting in Hamburg held at the beginning of 2020. One focus was on sustainability issues. Among other things, the participants discussed approaches and developments in connection with the UN Sustainable Development Goals as well as questions on sustainable finance, climate protection and the use of fossil fuels.

International Working Group

Established in 2012, the International Working Group (IWG) aims to integrate key non-OECD trading nations in an international set of rules and thus ensure a level playing field among all state export credit agencies. As a result of the very sluggish discussions of late, the IWG decided to suspend the negotiations for one year. The IWG comprises the EU as well as nearly all other OECD countries plus Brazil, China, India, Indonesia, Malaysia, Russia and South Africa as well as other countries.

EXPORT CREDIT GUARANTEES AND RESPONSIBILITY

Environmental, social and human rights assessment of projects

The Federal Government attaches particular importance to the observance of environmental and social standards as well as human rights when granting export credit guarantees. As a fundamental rule, it does not provide cover for any export transactions that violate internationally acknowledged [environmental, social and human rights standards](#).

Environmental, social and human rights aspects must be reviewed (ESHR assessment) in the case of proj-

ects and transactions coming with the scope of the OECD Common Approaches (Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence). If there is any evidence that a project may have a significant adverse environmental or social impact or breach human rights, the transaction must undergo an environmental, social and human rights impact assessment irrespective of the underlying term of the loan and the value of the contract.

Under the OECD rules, the reference standards for this ESHR assessment are the World Bank Environmental and Social Standards, the Performance Standards of the International Finance Corporation (IFC) and the World Bank Group's Environmental, Health and Safety Guidelines.

72 assessments of environmental, social and human rights issues were performed in accordance with the OECD rules in 2020 (2019: 76).



The largest wind farm in the Asia-Pacific region is being built eight kilometres off the west coast of Taiwan: 80 wind turbines will feed up to 640 MW into the national grid by the end of 2021. The wind turbines are being supplied by Siemens Gamesa Renewable Energy GmbH & Co. KG and the monopiles by Steelwind Nordenham GmbH. The project developer and operator is Bremen-based wpd AG, while SMBC is providing financial advice. In addition to the installation of the wind turbines, the project includes the provision of cabling as well as the construction of the foundations and two transformer stations. The Federal Republic of Germany is providing isolated buyer credit cover for the project.

Transformation companion for the corporate sector – IMC departments develop climate strategy

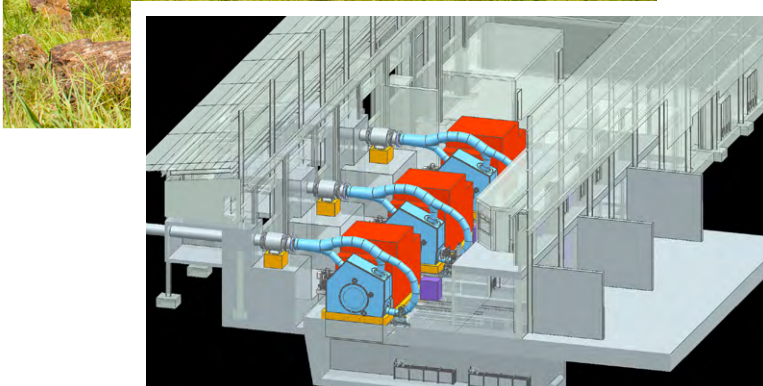
A comprehensive **transformation** of the global economy is necessary to achieve the goals of the Paris Climate Change Agreement. German technology is already making contributions to climate protection and sustainability in many foreign markets. In the year under review, the four IMC ministries additionally engaged in detailed consultations on the additional con-

tribution that foreign trade promotion instruments can make towards a carbon-neutral economy.

In a preliminary step, they agreed to expand cover and to improve the availability of funding for renewable energy transactions ([Special Renewable Energies Initiative](#), see [p. 56](#)).

Climate protection

At the same time, the Interministerial Committee for Export Credit Guarantees substantially narrowed the scope for obtaining cover for certain climate-adverse transactions. Specifically, this means that direct deliveries and services for the construction of new coal-fired power plants or for the expansion of existing ones are no longer eligible for cover by the Federal Government. The same thing applies to goods and services in connection with the routine discharge and flaring of associated gas during oil field development and exploitation.



In Burundi, only about one in ten people has access to electricity. With the help of two hydropower plants, the East African state wants to almost double power production capacity and improve the reliability of power supplies. From 2023, the hydropower plants are to feed 55 MW into the electricity grid. The project also includes work on extending power transmission lines and substations. Under the project, ANDRITZ is supplying Burundi with turbines, oil hydraulic systems, transformers and most of the electrical equipment for the associated buildings. The Federal Government is backing the project with supplier credit cover.

Both measures form part of a comprehensive [climate strategy](#), which is to enter into force during 2021. The aim of the climate strategy is to support German exporters in the upcoming transformation towards a low-carbon economy and to provide them with a reliable framework that offers them and their foreign customers forward planning visibility. So that German

companies are not placed at a competitive disadvantage, the measures are to be based on international standards and carried out in consultation with other important stakeholders in order to ensure a level playing field among export credit agencies.

The extensive [stakeholder dialogue](#) involving more than 30 companies, banks, scientists and NGOs

is being accompanied by a six-month pilot phase launched in mid-2020. Its main purpose is to determine which international benchmarks are most suitable for assessing the climate impact of transactions covered by the Federal Government's export credit guarantees. In addition to the World Bank Group's Environmental, Health and Safety Guidelines already

Until now, the oriented strand board (OSB) required in the United Arab Emirates had to be imported. This is to change in the future: Dieffenbacher GmbH is supplying the country on the Persian Gulf with a manufacturing plant for the production of OSB boards. 110,000 cubic metres of OSB boards are to be produced annually from date palm panicles and wood waste from mid-2021. The date palm panicles arise from the maintenance of the local tree population and the wood waste from the local construction industry. The German government is supporting the project by providing buyer credit cover as well as manufacturing and supplier credit cover.



used for environmental, social and human rights due diligence (ESHR due diligence), the delegated legislation, which is currently in the finalisation stage, on the technical screening criteria for mitigation of the EU taxonomy plays an important role in this respect.

europa.eu
EU taxonomy



The results of the pilot phase will be incorporated in the future climate strategy for export credit guarantees.

Antibribery measures

The OECD's "Recommendation on Bribery and Officially Supported Export Credits" defines the framework for preventing and combating corruption in government export promotion. On this basis, the Federal

Government has developed a **two-stage procedure** to ensure that only transactions executed without any corruption are covered. The avoidance of any form of bribery in the execution and preparation of business transactions forms a key prerequisite for eligibility for cover. If corruption is subsequently found to be involved, the Federal Government is absolved of any obligation to provide indemnification and is able to recover any compensation that has already been provided.

Stage 1

In Stage 1 of the anti-corruption review, exporters and banks must sign a declaration as part of an application for cover confirming that the transaction has arisen without any form of bribery and make further disclosures the plausibility of which is checked when the request for cover is processed.

Stage 2

If there is any evidence of corruption, Stage 2 involves an in-depth investigation of the matter. This review analyses internal measures, processes and structures for preventing and combating corruption among other things and also examines the background to the transaction for which cover is being sought. The procedure for the enhanced due diligence is undergoing constant development to factor in past experience and new developments.

In the year under review there were 1,139 active policyholders (2019: 1,090). 22 companies underwent an in-depth anti-corruption due diligence (2019: 28).

The antibribery declaration for exporters and banks can be found here:



agaportal.de/en
Prevention of Bribery

INVESTMENT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► Direct Investments Abroad

A short digression: Investment guarantees – an important element of risk management for foreign projects

38

First introduced in 1959, investment guarantees are a key instrument for promoting German foreign trade. They help German companies to protect their direct investments effectively against political risks in the occasionally difficult environment that they encounter in developing and emerging markets.

In 2020, the Federal Government granted 53 investment guarantees worth 0.9 billion euros for projects in 13 countries. Of these, 42% of the approved applications were for projects in Asia (China, India, Pakistan and Viet-

nam) and 40% for projects in (Eastern) Europe (Russia, Turkey and Belarus). Africa (Tanzania, Egypt and Zambia) and South and Central America (Honduras, Brazil and Colombia) each accounted for 9% of the approved applications. The main focus was on projects in the construction and energy industries, followed by mechanical engineering and projects in the chemical and pharmaceutical industries. One third of the new investment guarantees issued were for small and medium-sized companies. 28% of the beneficiaries received an investment guarantee for the first time

in 2020. In the year under review, the Federal Government again backed several guaranteed investments in order to prevent the projects from failing and thus to avoid losses. Crisis management primarily centred on guaranteed projects in Ethiopia, Belarus, China, Iran, Libya and Montenegro, among others. The Federal Government's maximum liability under outstanding investment guarantees was valued at 27.6 billion euros at the end of the year.

The prerequisite for the grant of a guarantee is sufficient legal protection in

the host country. This is fundamentally the case if an investment promotion and protection treaty has been signed between the Federal Republic of Germany or the European Union and its

VOLUME OF APPROVED APPLICATIONS IN MILLION EUR		
China PR	<div></div>	517.1
Russia	<div></div>	115.5
Belarus	<div></div>	96.6
India	<div></div>	77.5
Pakistan	<div></div>	50.6
Top 5 subtotal 2020: (94.3%)		857.3
Total 2020: (100%)		909.0

INVESTMENT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► Direct Investments Abroad

member states and the host country. In exceptional cases, adequate legal protection may also be afforded by the host country’s national legal system provided that it ensures sufficient protection for German investors. In addition, the project must have positive effects both for the host country and for Germany and must generally be eligible for cover. The main factors here are the environmental, social and human rights impacts of the project, the effect on employment in the host country and the contribution that the project makes for securing employment in Germany. There are

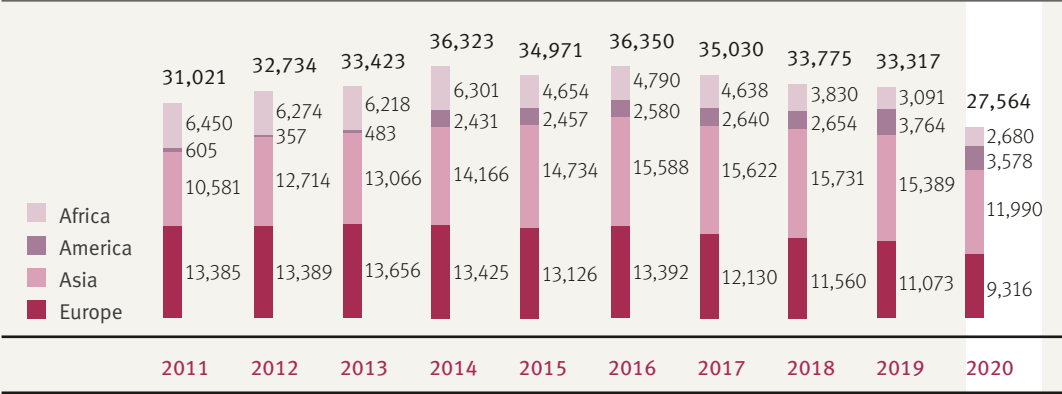
no upper or lower limits in the value of investments eligible for cover. Applications for investment guarantees are approved by the Federal Ministry of Economic Affairs and Energy with the consent of the Federal Ministry of Finance and in agreement with the Federal Foreign Office and the Federal Ministry for Economic Cooperation and Development in an Interministerial Committee (IMC). Experts from German companies and banks as well as from business associations take part in the meetings of the Interministerial Committee in an advisory capacity.

The Federal Government has mandated PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft with the management of the investment guarantees.

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COMMITMENT (EXPOSURE) 10-YEAR OVERVIEW BY REGIONS IN MILLION EUR





BUSINESS PERFORMANCE

40

The Federal Government's export credit guarantees proved to be a robust and reliable instrument for promoting foreign trade in the face of the Covid-19 pandemic. In 2020, export credit guarantees worth 16.7 billion euros were issued. Developing countries and emerging economies accounted for a good 80% of the new cover provided. At 507.8 million euros, the Federal Government's export credit guarantees made another positive contribution to the federal budget.

168 countries

The Federal Government issued export credit guarantees for exports to 168 countries in 2020.

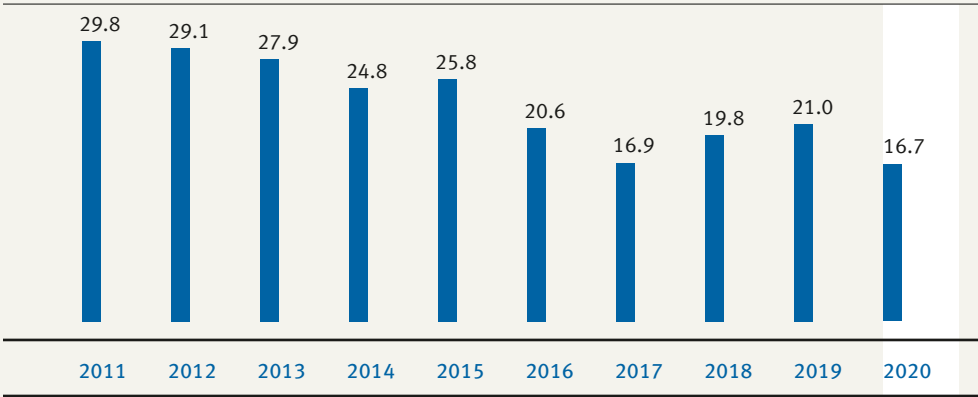
› [Page 41](#)

80.4%

Emerging economies and developing countries accounted for 80.4% of total cover.

› [Page 46](#)

DEVELOPMENT OF NEW GUARANTEES IN BILLION EUR



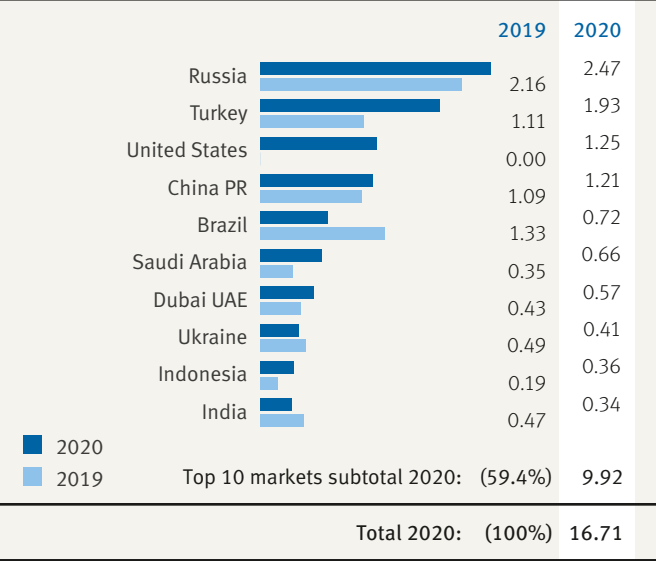
Any differences in the sums shown in the charts are due to rounding.

NEW BUSINESS

German exports contracted by 9.3% (2019: +0.8%) over the previous year, coming to 1,204.7 billion euros in 2020 (2019: 1,327.8 billion euros)¹. **New cover provided** dropped by 20.4% over the previous year to 16.7 billion euros in 2020 (2019: 21 billion euros). The decline is due mainly to the absence of any big-ticket projects as a result of the Covid-19 pandemic. Exports covered by export credit guarantees were down to 1.4% of total German exports (2019: 1.6%). The Federal Government issued export credit guarantees for exports to 168 countries in 2020 (2019: 154).

¹ Source: Foreign trade statistics of the Federal Statistical Office

NEW GUARANTEES IN BILLION EUR



NEW GUARANTEES

	2019	2020	Share in %	Change in %
Number of single transaction policies	358	555	100	55.0
of which for private buyers	342	545	98	59.4
for public buyers/guarantors	16	10	2	-37.5
Volume of cover in million EUR	20,999	16,715		-20.4
of which single transaction policies volume in million EUR	12,457	8,963	100	-28.0
of which for private buyers	10,209	8,219	92	-19.5
for public buyers/guarantors	2,248	744	8	-66.9

In 2020, the total number of **new single transaction policies** rose by 55%, although the total value of cover provided declined by 28% over the previous year. While the number of **big-ticket transactions** with an order value of over 50 million euros rose from 31 to 34, the value covered dropped by 50.6% over the previous year. These big-ticket transactions accounted for 57.1% of the single transaction policies (2019: 83.1%).

92% of the cover provided under single transaction policies was for private and 8% for public buyers (2019: 82% private buyers and 18% public buyers).

APPLICATIONS

	2019	2020	Share in %	Change in %
Number of applications	8,901	12,084	100	35.8
of which single transaction policies	1,100	1,163	10	5.7
Wholesale turnover and revolving policies	7,801	10,921	90	40.0
Applications in million EUR	26,829	23,433		-12.7

FUNDS EARMARKED FOR EXPORT CREDIT GUARANTEES

Countries	2019 million EUR	Share in %	2020 million EUR	Share in %
Emerging economies and developing countries	15,575.9	93.9	16,688.3	93.4
Industrialised countries	1,016.4	6.1	1,179.6	6.6
Total	16,592.3	100.0	17,867.9	100.0

Number and
value of applications

The number of **new applications** climbed by 35.8% in the year under review, showing once again that there is heightened demand for export credit guarantees in times of crisis. The increase in applications was largely due to the Federal Government’s support measures and the decision to extend cover to include “marketable risks”. Nevertheless, the volume of applications fell by 12.7% due to the absence of any big-ticket projects.

Offers of cover

Offers of cover for contracts still under negotiation had a total value of 17.9 billion euros as of 31 December 2020, 7.7% higher than in the previous year. Experience shows that not all of the transactions earmarked for cover are in fact realised as it is still uncertain on the date on which these offers of cover are issued whether the contracts concerned will ultimately be awarded to the exporter.

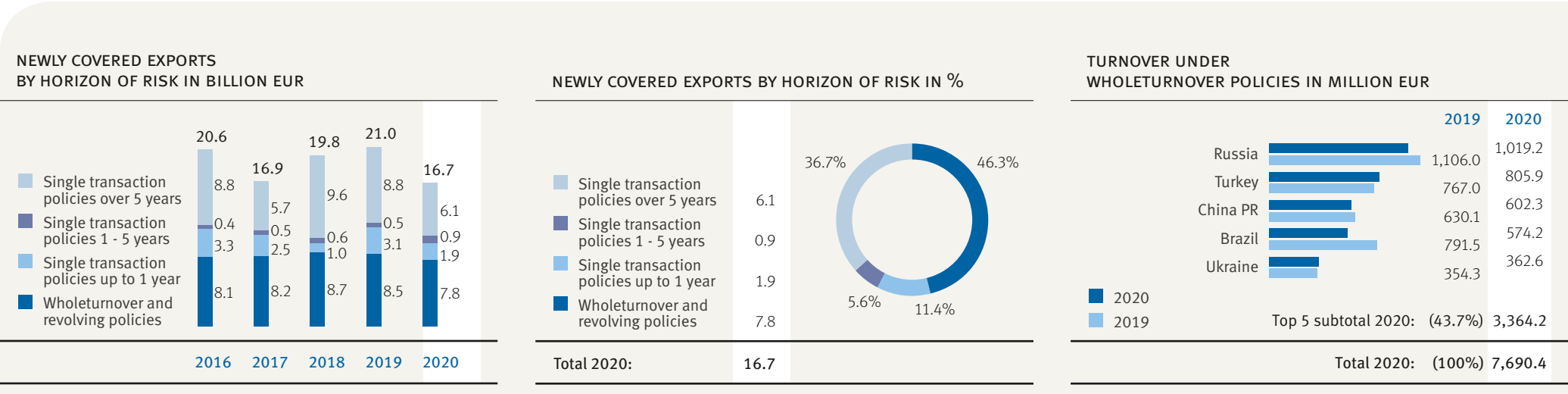
Cover by horizon of risk and type of cover

Export credit guarantees in **short-term business** (credit periods of up to one year) fell to 9.7 billion euros, down 16.4% on the previous year (11.6 billion euros). Even so, the proportion in total new cover of short-term business under single-transaction and spread policies widened to 57.8% (2019: 55.5%).

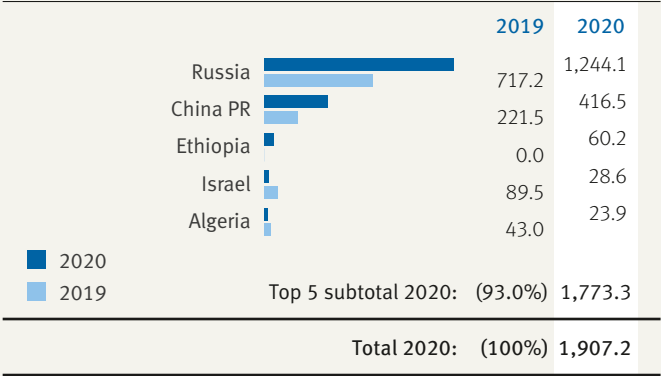
Wholeturnover Policies (APG and APG light), under which exporters are able to obtain cover for short-term credits in transactions with numerous buyers in different countries, accounted for 7.7 billion euros and were thus 9% down on the previous year (8.4 billion euros). Russia, Turkey and China were the most sought-after

markets, contributing just under one third of the APG turnover covered (31.6%).

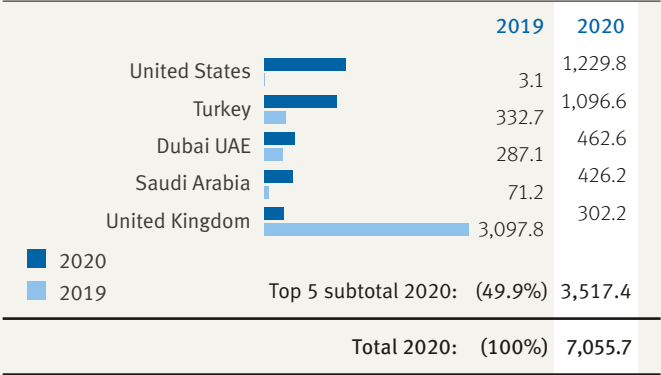
In addition to Wholeturnover Policies, which represent a large proportion of the short-term cover provided, the Federal Government also offers revolving single



SHORT-TERM SINGLE TRANSACTION POLICIES
IN MILLION EUR



MEDIUM AND LONG-TERM POLICIES IN MILLION EUR



transaction policies for regularly recurring business with a single buyer and cover for individual projects with credit periods of up to one year.

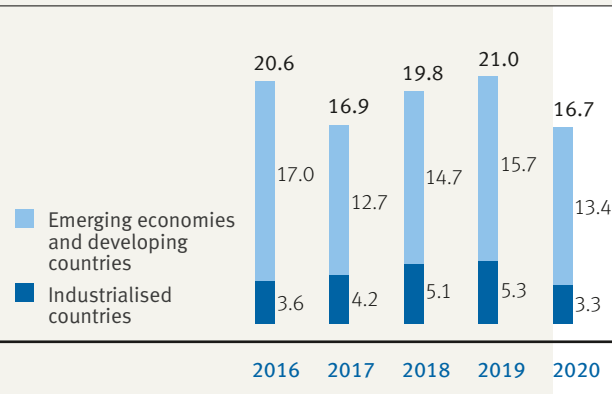
The volume of export credit guarantees for **short-term single transaction cover** with a credit period of up to one year dropped by a good third over the previous year to 1.9 billion euros (2019: 3.1 billion euros). 2019 had seen a sharp increase as big-ticket projects were also covered on short payment terms.

Medium and long-term cover declined by one quarter to just under 7.1 billion euros (2019: 9.4 billion euros). Cover for big-ticket transactions

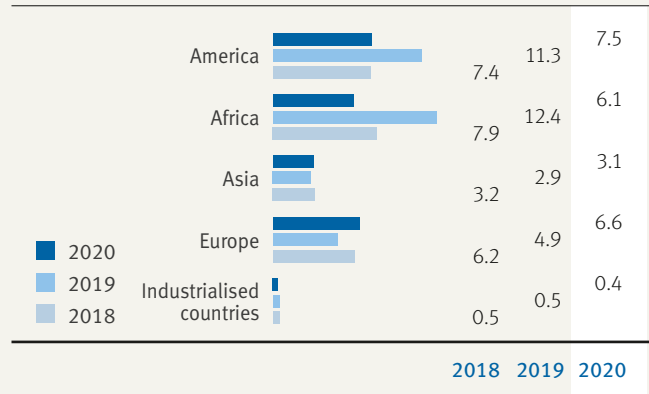
with long payment terms of more than five years fell by 30.7% over the previous year from 8.8 billion euros to 6.1 billion euros. The average value of big-ticket transactions for which cover was provided fell from 578 million euros in the previous year to 245 million euros (see [p. 55](#) et seq.).

A total of 92.4% (2019: 96%) of the medium and long-term cover provided was executed with buyer credits (56.2% of the transactions, 2019: 47.6%).

VOLUME OF COVER BY COUNTRY GROUPS IN BILLION EUR



COVER PERCENTAGE
OF TOTAL EXPORT VOLUME BY COUNTRY GROUPS IN %



Cover by country group

Traditionally, export credit guarantees are provided for **emerging economies and developing countries**¹ with 80.4% of aggregate cover attributable to these countries (2019: 74.7%). The importance that the availability of cover has for German exports to emerging economies and developing countries is highlighted by its share in total exports: 4.7% (2019: 5%) of German exports to emerging economies and developing countries were covered by guarantees issued by the Federal Government in 2020 (13.4 million; 2019: 15.7 billion euros).

80.4%

VOLUME OF COVER BY COUNTRY GROUPS

Countries *	2019 million EUR	Share in %	2020 million EUR	Share in %	Change in %
Emerging economies and developing countries	15,688.6	74.7	13,439.6	80.4	-14.3
Latin America	3,741.4	17.8	2,000.9	12.0	-46.5
Africa	2,946.5	14.0	1,232.2	7.4	-58.2
Asia	4,929.2	23.5	5,023.0	30.1	1.9
Middle East	1,412.2	6.7	1,933.4	11.6	36.9
Southern/Central Asia	1,109.4	5.3	993.0	5.9	-10.5
East Asia	2,407.6	11.5	2,096.5	12.5	-12.9
Oceania	1.9	0.0	1.6	0.0	-19.8
Europe	4,069.5	19.4	5,181.9	31.0	27.4
Industrialised countries	5,310.0	25.3	3,275.1	19.6	-38.3
Total	20,999.0	100.0	16,714.7	100.0	-20.4
thereof EU countries	4,322.0	20.6	1,257.2	7.5	-70.9

* See country list [p. 77](#)

A good three quarters (915.0 billion euros, 2019: 1,012.7 billion euros) of total German exports go to the **industrialised nations**. Given the lower political risks and the availability of private export credit insurance, the proportion of government-backed exports in total exports to industrialised countries is mostly relatively small. In view of the decline in big-ticket transactions, the volume covered by export credit guarantees dropped by 38.3% for industrialised nations in 2020. Exports to industrialised nations worth 3.3 billion euros (0.4%) were covered by the Federal Government’s export credit guarantees (2019: 5.3 billion euros, 0.5%).

GUARANTEES FOR LATIN AMERICAN EMERGING ECONOMIES AND DEVELOPING COUNTRIES IN MILLION EUR



Emerging economies and developing countries

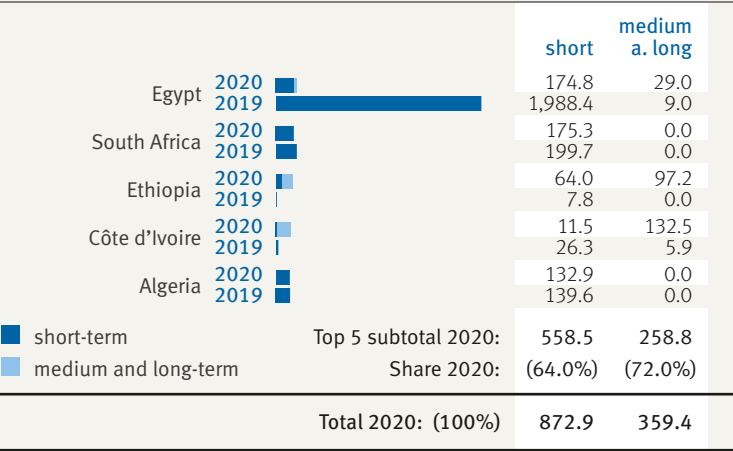
Latin America and the Caribbean

At 2 billion euros, cover for [Latin America and the Caribbean](#) was down 46.5% over the previous year (2019: 3.7 billion euros). The share of this region in total cover contracted to 12% (2019: 17.8%).

80.3% of the cover for [Brazil](#) was granted under Wholeturnover Policies. The largest single transaction was for the delivery, assembly and commissioning of a brewery. Further cover was provided for a coating machine for the production of label materials and packaging machines. Among other things, cover was provided for packaging,

printing and textile machinery for companies domiciled in [Mexico](#). Export credit guarantees for [Argentina](#) related to the supply of wind turbines, machinery for the plastics industry, textile machinery and special-purpose vehicles. Cover for exports to [Ecuador](#) and [Colombia](#) was provided almost only under Wholeturnover Policies.

GUARANTEES FOR AFRICAN EMERGING ECONOMIES AND DEVELOPING COUNTRIES IN MILLION EUR



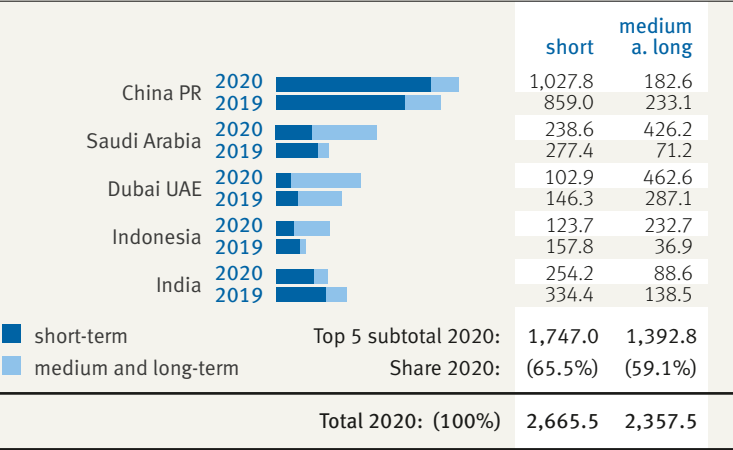
Africa

In 2020, the Federal Government provided export credit guarantees worth 1.2 billion euros (2019: 2.9 billion euros) for the delivery of goods and services to [Africa](#). Accordingly, cover dropped by 58.2%. The share in total cover contracted to 7.4% (2019: 14%).

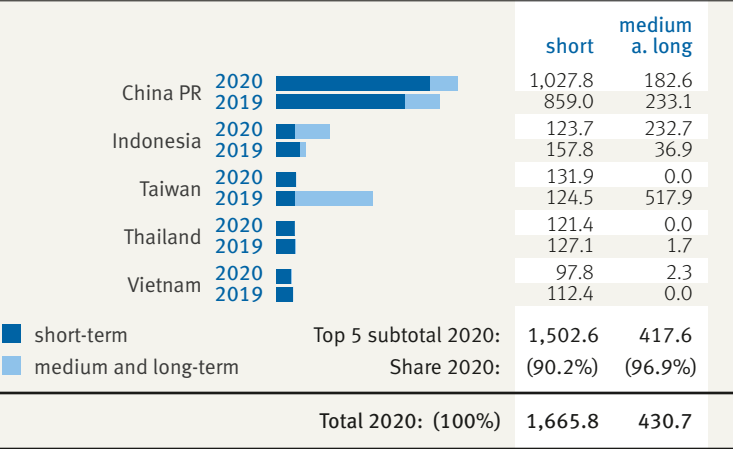
In the case of [Egypt](#), cover was provided for the delivery of an extrusion machine, a bottling plant for water, a blowing plant for PET bottles and a printing press among other things. Export credit cover for [South Africa](#) was granted solely under Wholturnover Policies. Cover was provided for the delivery of two Airbus aircraft in

[Ethiopia](#), road rehabilitation in connection with a training project in civil road construction for members of the armed forces in [Côte d'Ivoire](#) and mechanical engineering supplies for the processing, textile and leather industry as well as a plant for the production of print media in [Algeria](#). Further cover was provided for kits for 300 tractor units for [Nigeria](#) and two aircraft for [Senegal](#).

GUARANTEES FOR ASIAN EMERGING ECONOMIES AND DEVELOPING COUNTRIES IN MILLION EUR



GUARANTEES FOR EAST ASIAN EMERGING ECONOMIES AND DEVELOPING COUNTRIES IN MILLION EUR



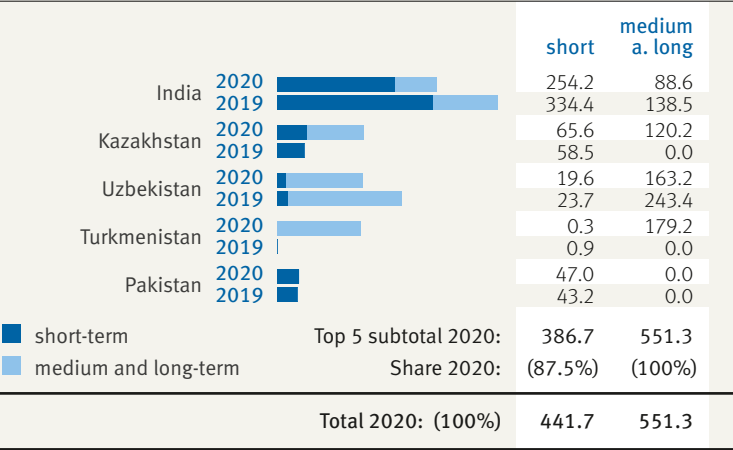
Asia

Cover for Asian countries¹ rose by 1.9% to 5 billion euros in 2020 (2019: 4.9 billion euros). Consequently, this region’s share in total new cover widened to 30% (2019: 23.5%).

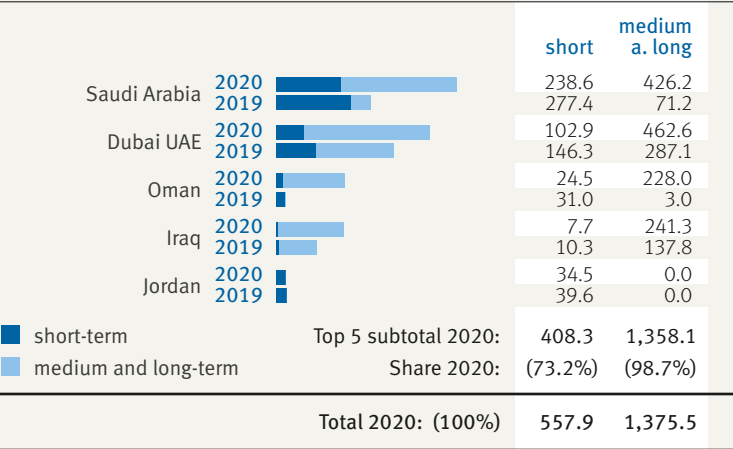
¹ Country allocation on [p. 77](#)

Cover provided for [East Asia](#) dropped by 12.9% to 2.1 billion euros. In the case of [China](#), cover was provided for the delivery of a crystallisation plant, machinery and equipment for a new paper machine as well as a CNC machine among other things. Export credit guarantees were issued for ships for [Indonesia](#). For [Taiwan](#) and [Thailand](#), only deliveries on short payment terms were covered. Cover for [Vietnam](#) entailed almost solely deliveries under Wholeturnover Policies.

GUARANTEES FOR SOUTH AND CENTRAL ASIAN EMERGING ECONOMIES AND DEVELOPING COUNTRIES IN MILLION EUR



GUARANTEES FOR MIDDLE EASTERN COUNTRIES IN MILLION EUR

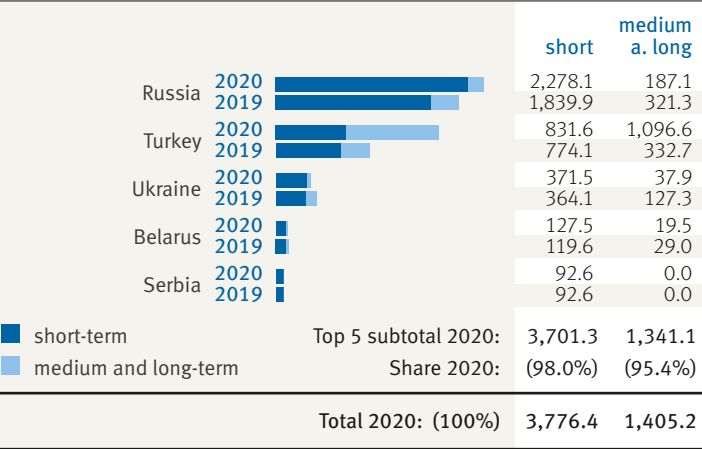


Export credit guarantees for **South and Central Asia** fell by 10.5% to 1 billion euros. Export credit guarantees for **India** included a plant for the production of petrochemical products and an aluminium rolling mill. In the case of **Kazakhstan**, the delivery of plants and transformers was covered, while cover for **Uzbekistan** entailed the delivery and assembly of a textile plant, for example, and for **Turkmenistan** the delivery of agricultural machinery and vehicles. Export credit guarantees for **Pakistan** were granted solely on short payment terms, with 85% of the volume covered comprised of deliveries under Wholturnover Policies.

Cover provided for the entire **Middle East** rose in the year under review by more than one third (36.9%) to 1.9 billion euros (2019: 1.4 billion euros). This is equivalent to 11.6% of total cover (2019: 6.7%).

Export credit guarantees for **Saudi Arabia** related to the delivery of 396 buses and machinery and equipment, e.g. for beverage production, the food industry and construction. The bus delivery was financed by the Ministry of Finance of Saudi Arabia and was the world's first finance transaction covered by a government export credit agency (ECA). For **Dubai**, cover was provided for the delivery of five aircraft. In addition, export credit guarantees were issued for sugar production plants in **Oman** with a guarantee from Tanzania. Cover for **Iraq** was for high-voltage switch gear, while in the case of **Jordan**, virtually all of the cover was provided under Wholturnover Policies.

GUARANTEES FOR EUROPEAN COUNTRIES
(WITHOUT INDUSTRIALISED COUNTRIES) IN MILLION EUR



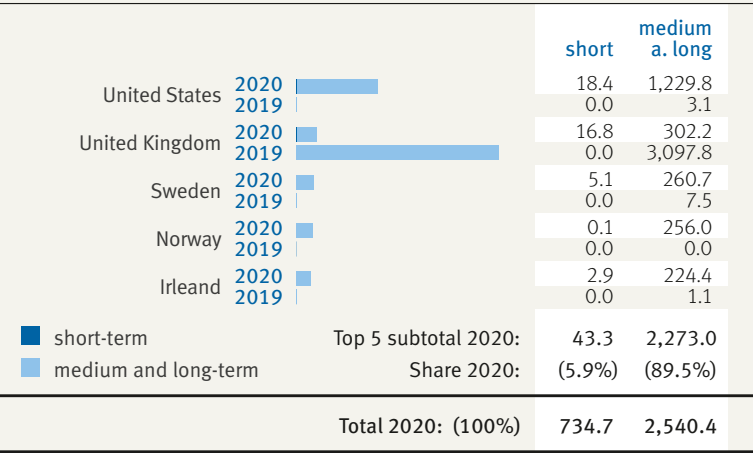
Europe
(excluding industrialised countries)

Export credit guarantees for the delivery of goods and services to **Europe** (excluding industrialised countries) climbed by 27.4% to 5.2 billion euros (2019: 4.1 billion euros), with the share in the total volume thus widening to 31% (2019: 19.4%).

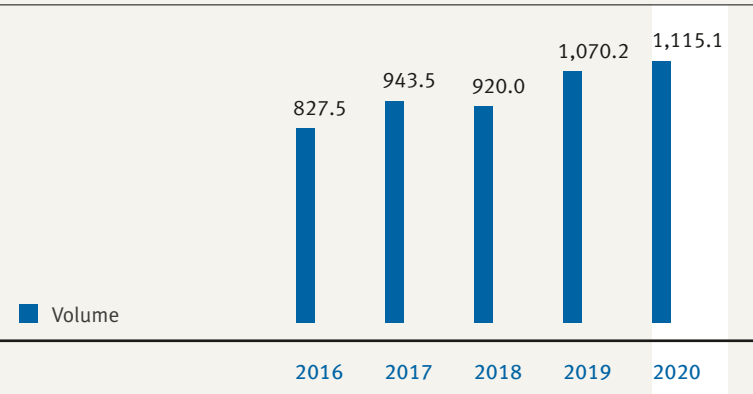
At just under 4.4 billion euros, Russia and Turkey accounted for roughly 85% of the export credit guarantees in this region. In the case of **Russia**, cover was provided for the delivery of an ethylene plant, a production line for the manufacture and finishing of melamine-coated MDF/HDF boards and laminate floors and the modernisation of a cold rolling mill among other things. Export credit guarantees for **Turkey** mainly concerned the delivery of nacelles, turbines, towers and

rotor blade sets for wind farms and machinery for textile and wood processing as well as components for the production of trailers/semi-trailers for trucks. For **Ukraine**, the delivery of a silo plant was covered, with 89% of the volume attributable to deliveries under Wholeturnover Policies. Export credit guarantees were issued for the supply of packaging equipment for **Belarus** and, in the case of **Serbia**, almost exclusively for transactions under Wholeturnover Policies.

GUARANTEES FOR INDUSTRIALISED COUNTRIES IN MILLION EUR



EXPORT CREDIT GUARANTEES FOR RENEWABLES IN MILLION EUR



Industrialised countries

Cover granted for industrialised countries contracted by 38.3% in the year under review. The Federal Government issued export credit guarantees worth 3.3 billion euros in 2020 (2019: 5.3 billion euros). This is equivalent to 19.6% of total cover (2019: 25.3%).

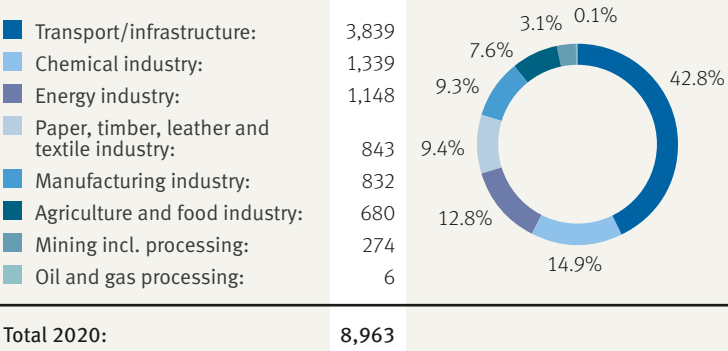
Export credit guarantees for the United States were issued, for example, for the delivery of aircraft and the construction of an endless steel strip production plant. In the case of the United Kingdom, cover was provided for the delivery of two converter stations for a high-voltage direct current line between the United Kingdom and Denmark, and in the case of Sweden for the delivery of a paper machine. Export credit guarantees for Norway were provided for the delivery and construction of a wind farm, and for Ireland for the delivery of aircraft.

Renewable energies

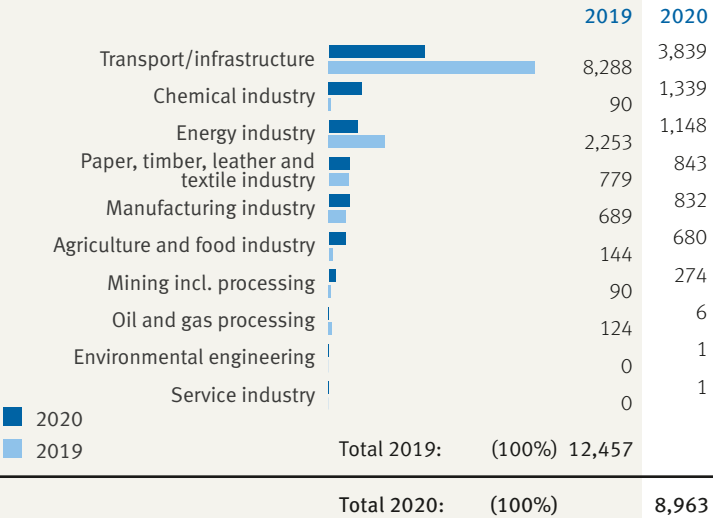
Renewable energy and climate protection projects are particularly promoted through protracted credit periods of up to 18 years, among other things.

Cover for renewable energies rose to 1.1 billion euros in 2020 (2019: 1 billion euros). In most cases, it was provided for wind power projects (1 billion euros) with export credit guarantees issued for the delivery of wind farms to Norway, Turkey, Argentina and Kosovo.

SHARE OF SINGLE TRANSACTION POLICIES BY INDUSTRIAL SECTORS
IN MILLION EUR



SINGLE TRANSACTION POLICIES BY INDUSTRIAL SECTORS IN MILLION EUR



Cover by industrial sectors

The **transport and infrastructure** sector is traditionally characterised by big-ticket transactions, which, however, declined sharply compared to the previous year. As a result, cover in this sector fell by more than half (-54%) and reached 3.8 billion euros (2019: 8.3 billion euros) at the end of 2020, representing 23% of the total volume of export credit guarantees and 42.8% of single transaction policies. At 2.2 billion euros, Airbus Guarantees accounted for the greatest proportion (2019: 0.3 billion euros). Ship transactions came to 0.3 billion euros (2019: 7.1 billion euros) and were thus substantially down on the multi-year average.

Export credit guarantees in the **chemicals sector** rose to 1.3 billion euros (2019: 90 million euros), representing 14.9% of single transaction policies. The largest project was the granting of cover for the delivery of an ethylene plant to Russia with cover of over 1.1 billion euros.

Export credit guarantees in the **energy sector** fell by just under half (-49%) to 1.1 billion euros (2019: 2.3 billion euros) due to the absence of conventional energy projects. Accordingly, this sector accounted for 12.8% of total single transaction policies. Almost only renewable energy projects were covered. The largest single project was the installation of a wind farm in Norway (256 million euros).

At 843 million euros, export credit guarantees in the **paper, timber, leather and textile industries** were up 8.2% on the previous year (779 million euros), accounting for 5% of the total. Cover was provided for the delivery of paper and textile machinery, among other things.

Project finance

In addition to conventional cover for export finance, the Federal Government also offers export credit guarantees for [project finance](#). Project finance structures are generally selected for big-ticket projects that are kept off the balance sheets of the companies involved. Instead, a legally and economically autonomous project entity is established which is responsible for generating the cash flows needed to cover the operating costs and debt servicing for the project.

In contrast to conventional export finance, country risks are largely mitigated by the project and collateralisation structures implemented. This means that

project finance is frequently also possible in countries for which restrictions on cover are in place, e.g. ceilings or limits on the size of individual transactions.

In 2020, the Federal Government provided cover of 487 million euros for four project finance transactions. The projects were without exception [onshore wind farms](#). Specifically, the projects for which cover was provided were located in Argentina, Kosovo, Turkey and Norway. This once again shows that project finance backed by the Federal Government can be provided for countries exposed to heightened risks as well as for established markets, thus supporting German exports in different markets environments with attractive financing.

Due to the pandemic, some projects were cancelled or deferred in the year under review contrary to the original timetable. A large part of these projects are expected to be implemented once the global economy recovers after the pandemic, meaning that similarly high demand as in previous years for project finance backed by the Federal Government is likely in the future. Launched in 2020, the “[Special Renewable Energy Initiative](#)” is also expected to generate additional impetus (see [p. 56](#)).

“Special Renewable Energies Initiative” adopted by the Federal Government



agaportal.de/en
Special
Renewable
Energies
Initiative

In mid-May, the Federal Government adopted further improvements to the provision of export credit guarantees for renewable energies (Special Renewable Energies Initiative). As a result, cover is now available for transactions that include up to 70% foreign-sourced goods or services. Normally, the share of foreign-sourced goods and services is capped at 49%.

In addition, the initiative permits greater flexibility in financing local costs. Local costs can now be fully included in the finance for which cover is provided as an advance payment in respect of local costs is no longer required.

The Federal Government had previously already promoted renewable energy and climate protection projects by providing cover for long credit periods of up to 18 years, among other things. The special initiative marks a further step of the Federal Government in this direction, providing an important contribution to the global energy transformation. At the same time, it strengthens German companies in international competition.

The pandemic has placed a damper not only on the development of new projects, but also on the transactions for which cover has been provided in recent years. There have been considerable delays due to the restrictions particularly in the case of projects that are still in the construction phase, so that in many cases measures, such as prolongation agreements, have had to be taken to protect the liquidity of the projects. Projects in the operating phase were also affected. In such cases, the debt servicing requirements were adjusted. Despite the difficult overall situation, it was possible in 2020 to find solutions to avert harm from all projects covered by export credit guarantees.

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Transport and infrastructure

Ship business

One year after the outbreak of the Covid-19 pandemic, the cruise industry continues to face a particularly **difficult market environment**. Almost all shipping companies worldwide in this sector have been forced to suspend their business operations. The resultant poor earnings situation is also leaving traces on the order books of German and European shipyards and their suppliers.

In order to secure cruise lines' liquidity in the very difficult market environment, governments in Germany, France, Finland, Italy and Norway agreed on a solution

in spring 2020. This makes it possible to suspend debt servicing for twelve months for cruise ships financed by means of state export credit guarantees. This agreement has been extended to 31 March 2022.

At the same time, the repayment holiday agreement allows shipping companies to confirm their existing new construction contracts. Stable orders are essential for the continued viability of the German maritime industry as well as the protection of jobs in the shipbuilding industry with its numerous suppliers.

In addition, the repayment holiday agreement reduces the risk for the Federal Government of any defaults on government-backed ship finance.

In the year under review, the Federal Government provided cover for **civilian shipbuilding** worth 0.1 billion euros (2019: 5.3 billion euros). This was joined by cover for **military shipbuilding** amounting to 0.2 billion euros (2019: 1.8 billion euros), resulting in total cover of 0.3 billion euros (2019: 7.1 billion euros).

Airbus cover

In 2020, the Federal Government, in cooperation with the governments of the other two main Airbus producer countries – France and the United Kingdom – provided cover for aircraft transactions worth 2.2 billion euros (2019: 0.3 billion euros).

The Covid-19 pandemic has caused a deterioration in the economic situation of airlines worldwide. Commercial opportunities for finance, which have increasingly been used in recent years to purchase new aircraft, were not available to the same extent due to the difficult market environment. This prompted an increase in demand for government-backed Airbus Guarantees in the year under review.

In order to stabilise airlines’ liquidity in the difficult market environment and to thus help preserve the order situation for Airbus and its many European suppliers, the Federal Government agreed with the other two national governments on arrangements for existing cover in the first half of 2020. These arrangements allow debt servicing to be suspended for one year in the case of airlines that have been hit by sustained liquidity shortfalls as a result of the Covid-19 pandemic.

Some of the airlines were particularly impacted economically by the Covid-19 pandemic and were thus placed under creditor protection. As a result, banks in whose favour Airbus cover had been issued were duly indemnified.

Military goods

In the year under review, the Federal Government provided export credit guarantees for **military goods** amounting to 0.2 billion euros (2019: 1.8 billion euros), equivalent to 1.1% of total new cover. The long-term average since 1997 is 3.8%.

EXPORT CREDIT GUARANTEES FOR MILITARY GOODS IN BILLION EUR		
	2020	Type of goods
Algeria	0.004	Aircraft towing tractors for use on an airport apron
Indonesia	0.180	Mine hunting vessels for combating sea mines
Total 2020	0.184	

OFFICIALLY SUPPORTED, ENVIRONMENTALLY RELEVANT
PROJECTS BY CATEGORIES AND SECTORS

		2020 number	Volumen million EUR
Category A			
	Chemical industry	1	1,091.7
	Energy industry	3	95.7
	Paper, timber, leather and textile industry	1	254.8
	Transport/infrastructure	1	241.3
	Total Category A	6	1,683.5
Category B			
	Agriculture and food industry	1	228.0
	Energy industry	11	440.8
	Paper, timber, leather and textile industry	5	226.4
	Transport/infrastructure	4	365.8
	Manufacturing industry	4	85.7
	Total Category B	25	1,346.7
Total 2020		31	3,030.2

Environmental, social
and human rights assessment
of projects

Projects coming within the scope of the [Common Approaches](#) (Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence) must undergo environmental, social and human rights (ESHR) due diligence. This particularly includes all transactions with a credit period of more than two years. The transactions are categorised in accordance with their potential ESHR impact. The category determines the scope of the audit. In 2020, the Federal Government processed and covered environmental category A transactions (projects which potentially have significant adverse ESHR impacts which are diverse, irreversible and/or unprecedented or which may be located in or near sensitive areas and for which the buyer must take special mitigation

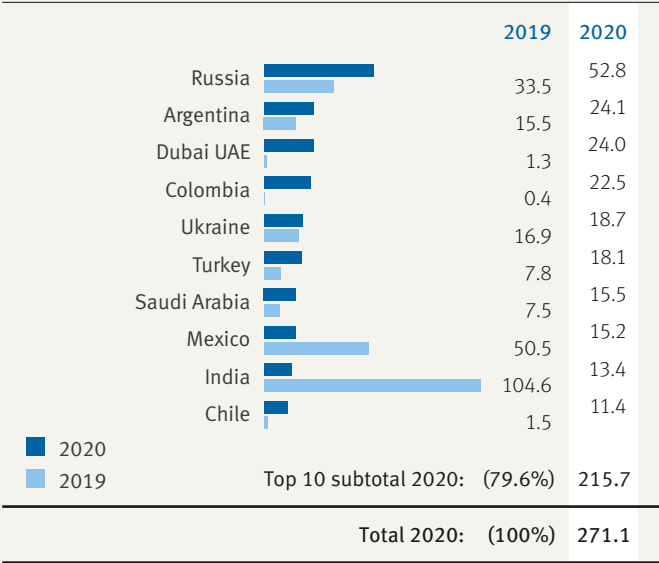
measures to minimise the impact) worth 1.7 billion euros. In environmental category B (projects with site-specific or easily reversible potential ESHR impact), cover came to around 1.3 billion euros.

Under the Common Approaches, deliveries for existing plants which do not result in any material change of function or capacity only need to undergo a risk assessment. The cover provided for these transactions was valued at 0.3 billion euros.

CLAIMS PAYMENTS IN MILLION EUR

	2016	2017	2018	2019	2020
Political risk claims	38.2	30.9	318.1	5.9	15.0
Commercial risk claims	513.6	398.4	409.9	377.3	271.1
Total	551.8	429.3	728.0	383.2	286.1

CLAIMS PAYMENTS
UNDER COMMERCIAL RISK COVER IN MILLION EUR



CLAIMS, RECOVERIES
AND RESCHEDULING

Claims

Outgoing payments for claims contracted by one quarter (25.3%) over the previous year to 286.1 million euros.

Outgoing payments for **commercial claims** fell by 28.1% compared with the previous year, coming to 271.1 million euros (2019: 377.3 million euros). In the case of Russia, the increase over the previous year was chiefly due to indemnification paid on loans for the construction of a cement plant. With respect to Argentina, indemnification was payable mainly for receivables in the mechanical engineering sector. Indemnification for the Emirate of Dubai (UAE) mainly related to

the delivery of medicines, oil drilling equipment and machinery for the packaging industry. Indemnification was paid for Colombia in respect of claims in connection with the delivery of aircraft among other things.

Outgoing payments for **political claims** climbed from 5.9 million euros to 15 million euros due to indemnification for German exports of generators and machinery to Cuba.

RECOVERIES FOR
CLAIMS PAID (EXCL. INTEREST) IN MILLION EUR

	2016	2017	2018	2019	2020
under political risk cover	803.8	203.2	267.2	271.8	47.5
thereof rescheduled amounts	279.4	178.8	264.8	271.8	47.2
under commercial risk cover	170.5	105.6	130.2	278.4	183.4
Total	974.4	308.8	397.4	550.3	230.9

RECOVERIES UNDER
COMMERCIAL CLAIMS IN MILLION EUR

Russia	71.6
Azerbaijan	20.7
Indonesia	16.7
Ukraine	11.3
Mexico	10.5
Bermuda	9.7
Brazil	9.6
India	8.9
Colombia	5.6
Saudi Arabia	5.5
Top 10 Subtotal 2020: (92.7%)	170.1
Total 2020: (100%)	183.4

Recoveries

Recoveries of indemnification paid (excluding interest) dropped by more than half (-58%) to 230.9 million euros due, among other things, to non-receipt of payments under rescheduling treaties. Agreed repayment plans for major claims, the recovery of receivables from foreign debtors and foreseeable payments under debt rescheduling agreements point to higher recoveries in the future.

Rescheduling

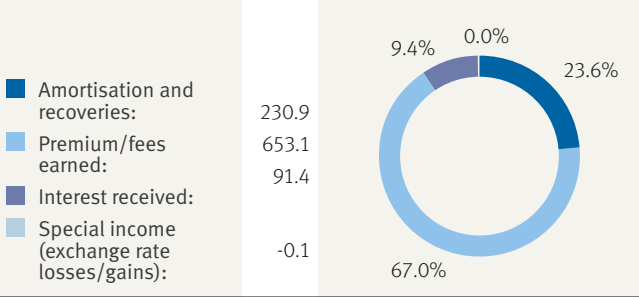
The Paris Club was also affected by the Covid-19 pandemic in 2020. All meetings were held as video conferences from March onwards. Despite the challenges arising from this, negotiations with Somalia on debt restructuring under the HIPC initiative were completed on 31 March 2020,

resulting in the immediate waiver of amounts of 1.4 billion US dollars owed by this country. Germany was not affected by any trade receivables.

In addition, the **Debt Service Suspension Initiative** (DSSI) was launched together with the G20 countries for heavily indebted countries in response to the coronavirus crisis. Upon request, DSSI allows eligible countries to defer debt-servicing for the second half of 2020 in order to gain more financial leeway for pandemic response and crisis management measures. DSSI has now been renewed by a further six months.

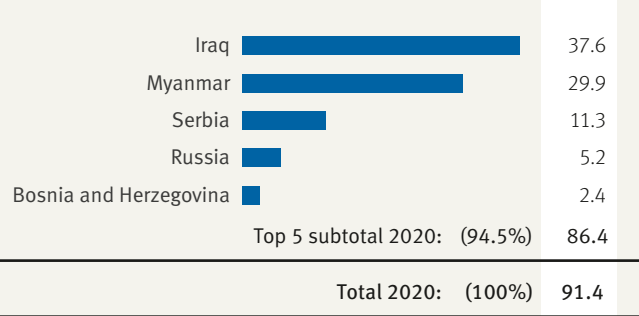
In addition, the Paris Club and the G20 countries agreed on a common framework for future debt restructuring if this becomes necessary following the DSSI.

REVENUES IN MILLION EUR



Total 2020:	975.3
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HIGHEST INTEREST PAYMENTS IN MILLION EUR



RESULTS

Revenues

In the year under review, total revenues for the federal budget from export credit guarantees fell by a good third to 975.3 million euros (2019: 1.5 billion euros).

Despite the decline in cover volume, revenues from **premiums and fees** rose by 16% to 653.1 million euros. The increase is due to higher charges for big-ticket transactions with long credit periods from previous years.

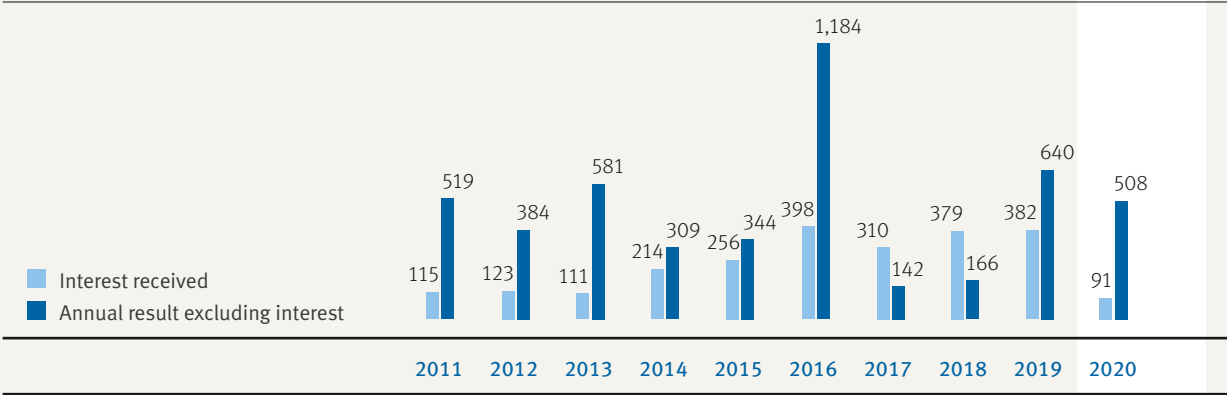
Income from **recoveries** under previously indemnified claims and **debt repayment under rescheduling agreements** fell by 58% over the previous year to 230.9 million euros. The largest recoveries were received from Russia (71.6 million euros), Azerbaijan (20.7 million euros), Iraq (17.4 million euros), Indonesia (16.7 million euros) and Ukraine (11.3 million euros).

The **interest income** of 91.4 million euros (2019: 381.6 million euros) largely arose from rescheduling agreements.

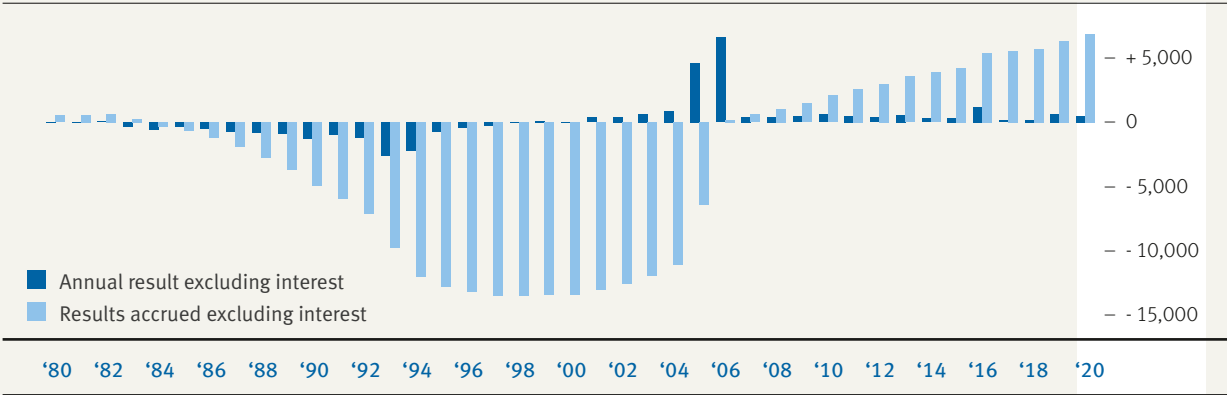
Expenses

In the year under review, expenses dropped by 20.5% to 376.1 million euros (2019: 473.2 million euros). They comprise **claims payments** (286.1 million euros) and the **costs** for the administration of export credit guarantees (90 million euros).

FINANCIAL RESULT OVER THE PAST TEN YEARS IN MILLION EUR



ANNUAL RESULT AND RESULTS ACCRUED OF THE FEDERAL EXPORT CREDIT GUARANTEES 1980-2020 IN MILLION EUR



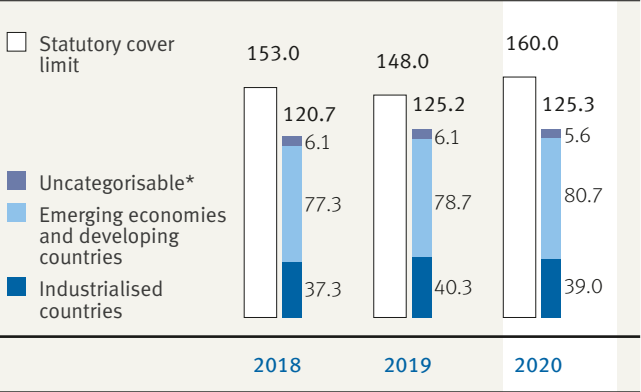
Annual result

With a **cash surplus** of 507.8 million euros, the Federal Republic of Germany's export credit guarantee scheme achieved a positive result for the Federal budget accounts for the 22nd year running. Accordingly, the accrued total balance of export credit guarantees rose to just under 6.9 billion euros¹ as of the end of 2020.

The interest income of 91.4 million euros (2019: 381.6 million euros) arising predominantly from rescheduling agreements was transferred to the federal budget. This interest income is not included in the calculation of the annual result.

¹ Not adjusted for inflation

TOTAL COMMITMENTS OF THE FEDERAL GOVERNMENT (EXPOSURE) BREAKDOWN BY COUNTRY GROUPS AND STATUTORY COVER LIMIT IN BILLION EUR



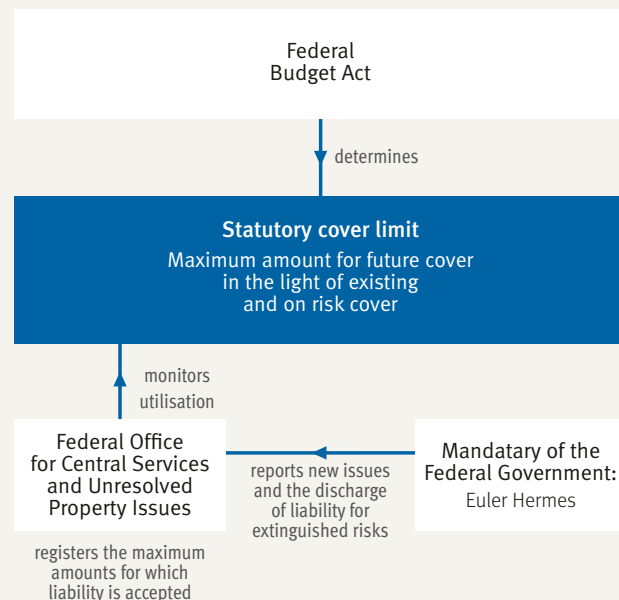
* The „uncategorisable“ exposure refers to allocations made for Wholeturnover Policies and Securitisation Guarantees under the statutory cover limit.

STATUTORY COVER LIMIT AND TOTAL COMMITMENT LEVEL

Export credit guarantees are granted on the basis of amounts [authorised by the budget](#). The statutory cover limit was increased from 148 billion euros to 160 billion euros in March, utilisation of which stood at 78.3% at the end of the year. Interest covered does not count towards the statutory cover limit.

The [Federal Government’s total commitment \(exposure\)](#) stood at 125.3 billion euros as of 31 December 2020, thus matching the previous year (2019: 125.2 billion euros). This figure equals the total volume of export credit guarantees issued (net of interest) which are still exposed to risks. Exposure is defined as the actual portfolio registered by the Federal Office for Central Services and Unresolved Property Issues.

THE FEDERAL GOVERNMENT'S STATUTORY COVER LIMIT



However, it does not provide any indication of the real outstanding risk as the export credit guarantees count towards the statutory cover limit on the basis of their full amount until liability has been fully discharged regardless of their execution status. In the year under review, there were additions of 6.9 billion euros for new cover but discharges of 6.2 billion euros.

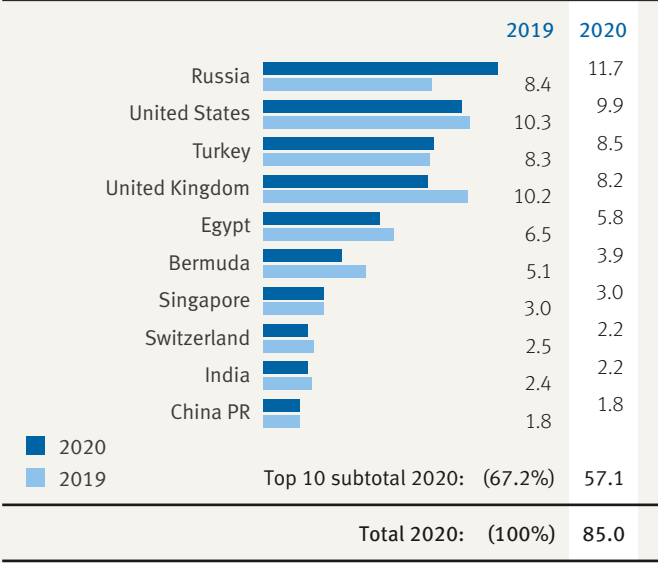
In addition, cover for interest came to 51 billion euros at the end of the year (2019: 50.9 billion euros). The Federal Government's total commitment level including interest thus stood at 176.3 billion euros.

TOTAL OUTSTANDING RISK BY INDUSTRIAL SECTORS

Sector	2020 billion EUR	Share in %
Transport/infrastructure	39.9	46.9
Energy industry	16.8	19.8
Oil and gas processing	9.6	11.3
Manufacturing industry	5.5	6.4
Paper, timber, leather and textile industry	4.4	5.2
Chemical industry	3.6	4.2
No recording of industry*	3.0	3.5
Mining incl. processing	1.2	1.4
Agriculture and food industry	1.0	1.2
Total 2020	85.0	100.0

* Wholeturnover Policies, reschedulings

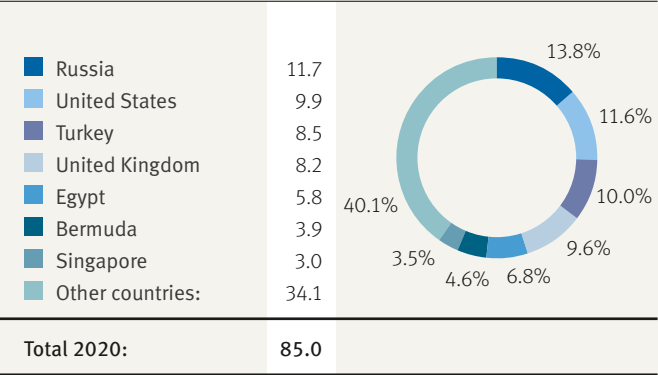
TOTAL OUTSTANDING RISK IN BILLION EUR



OUTSTANDING RISK

The **Federal Government's outstanding risk** is derived from the future maturities of commitments under cover granted plus interest, less the percentage to be retained by the exporters and banks for their own account. This amount constitutes the theoretical maximum outstanding risk under current Federal Government guarantees at any given time if the entire risk occurs in full. However, it does not provide any indication of the real likelihood of the risk turning into a claim and thus the Federal Government's liability to indemnify it. In 2020, the outstanding risk declined by 3.3% to 85 billion euros (2019: 87,9 billion euros).

SHARE OF
TOTAL OUTSTANDING RISK BY COUNTRY IN BILLION EUR

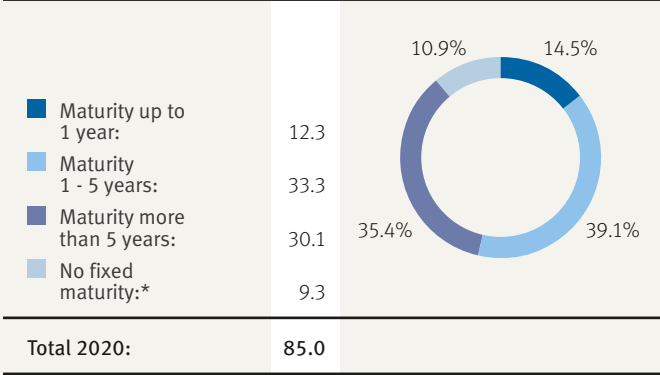


TOTAL OUTSTANDING RISK BY COUNTRY GROUPS

Countries*	2019 million EUR	Share in %	2020 million EUR	Share in %
Emerging economies and developing countries	54,783.1	62.3	54,906.0	64.6
Latin America	10,804.9	12.3	9,151.0	10.8
Africa	9,794.1	11.1	8,839.3	10.4
Asia**	15,817.4	18.0	15,248.3	17.9
Europe	18,366.7	20.9	21,667.4	25.5
Industrialised countries	33,130.6	37.7	30,115.8	35.4
Total	87,913.8	100.0	85,021.8	100.0

* See classification of countries [p. 77](#)
** including Oceania

TOTAL OUTSTANDING RISK BY MATURITIES IN BILLION EUR



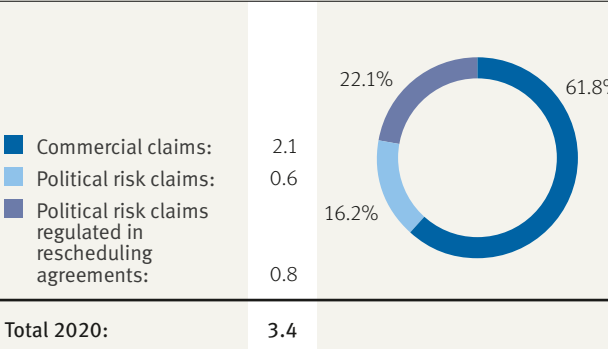
* isolated manufacturing risk cover, contract bond cover

DEBT OWED TO THE FEDERAL GOVERNMENT OUT OF
RESCHEDULING AGREEMENTS AND POLITICAL RISK CLAIMS
IN MILLION EUR



Total 2020: (100%) 1,313.9

AMOUNTS OUTSTANDING IN BILLION EUR



UNRECOVERED AMOUNTS UNDER
CLAIMS PAID

At the end of the year, **unrecovered amounts** under claims paid for commercial and political loss – including rescheduled trade and loan receivables – stood at 3.4 billion euros (2019: 3.6 billion euros). These unrecovered amounts arise from claims paid for receivables transferred to the Federal Government which it may be possible to recover in the future.

Significant recoveries can be expected from outstanding **commercial claims** totalling 2.1 billion euros due to restructuring agreements already entered into in respect of major claims.

In the case of outstanding **political claims** (556.2 million euros), further recoveries can generally be expected.

An outstanding amount of 758 million euros has been restructured in the Paris Club to take account of the ability of the debtor countries to meet their payment obligations and is governed by bilateral **rescheduling agreements**. However, there is no certainty that the repayments thus agreed will actually be received.

As in the previous year, no **outstanding amounts** due to the Federal Government were **cancelled** under debt rescheduling arrangements in 2020. Since the establishment of export credit guarantees, the Federal Republic of Germany has waived total debt of just under 4.4 billion euros owed by the most heavily indebted countries under earlier debt-rescheduling agreements.

NEW GUARANTEES AS RELATED TO TOTAL EXPORT VOLUME; COVER APPLICATIONS

Year	Total export volume in billion EUR	New guarantees in billion EUR	Covered percentage of total export volume	Cover applications in billion EUR
	4.3	0.2	3.6	1.0
1955	13.1	1.6	12.5	5.1
1960	24.5	2.4	9.6	8.3
1965	36.7	2.8	7.5	10.0
1970	64.1	4.9	7.7	12.0
1975	113.3	10.1	8.9	55.8
1980	179.2	14.6	8.1	64.8
1985	274.6	15.9	5.8	54.0
1990*	348.0	13.7	3.9	29.9
1995**	383.2	17.1	4.5	29.8
2000	596.9	19.5	3.3	21.0
2005	786.2	19.8	2.5	24.8
2010	959.5	32.5	3.4	36.8 ***
2011	1,060.2	29.8	2.8	37.4
2012	1,097.4	29.1	2.6	41.7
2013	1,093.9	27.9	2.6	38.7
2014	1,133.5	24.8	2.2	38.6
2015	1,195.9	25.8	2.2	36.2
2016	1,207.0	20.6	1.7	38.2
2017	1,279.1	16.9	1.3	29.1
2018	1,317.9	19.8	1.5	35.1
2019	1,327.8	21.0	1.6	26.8
2020	1,204.7	16.7	1.4	23.4

UTILISATION OF THE STATUTORY COVER LIMIT

Statutory cover limit in billion EUR	**** Allocated amounts of statutory cover limit in billion EUR	**** Total outstanding risk in billion EUR
0.3	0.3	
3.8	2.5	
6.1	5.2	
8.7	8.1	
13.8	12.9	
30.7	25.0	
76.7	59.6	
99.7	80.9	
81.8	68.3	
99.7	91.9	
112.5	106.1	56.5
117.0	104.9	56.7
120.0	107.5	76.4
135.0	116.6	82.3
135.0	124.9	85.2
145.0	129.1	87.7
165.0	134.1	88.5
160.0	132.8	92.4
160.0	128.6	89.8
160.0	121.0	85.8
153.0	120.7	86.5
148.0	125.2	87.9
160.0	125.3	85.0

* Starting 1989, values include former Eastern Germany

** Starting 1993, a new statistical method is applied in the EU to record overall export figures

*** Volume of new applications, until 2005 business volume of decisions

**** The column „Allocated amounts of statutory cover limit“ reflects the overall level of exposure under the statutory limit for the respective year. However, conclusions on the amounts actually at risk cannot be drawn on the basis of these figures because they also include indemnification and other payments made in respect of reschedulings for which recoveries are still expected. For this reason, the Federal Government's total outstanding risk has been recorded separately since the end of 1997.

RESULT IN MILLION EUR

Year(s)	Premiums/ fees earned	Recoveries for claims paid and rescheduled amounts*	Disbursements for claims and reschedulings	Expenses for the handling of the export credit guarantees	Annual results excluding interest	Interest**
1950-1954	27.6	16.8	25.6	5.3	13.5	
1955-1959	85.6	83.2	168.0	10.8	-10.0	
1960-1964	141.3	144.7	370.1	14.4	-98.5	
1965-1969	247.0	381.4	587.7	22.8	18.0	
1970-1974	346.1	421.9	808.1	37.9	-77.9	
1975-1979	897.5	468.5	580.6	82.6	702.8	
Subtotal	1,745.1	1,516.6	2,540.1	173.7	547.9	482.1
1980-1984	1,437.3	860.9	3,034.5	149.9	-886.1	238.2
1985-1989	1,343.3	1,034.6	5,512.6	183.9	-3,318.5	760.1
1990-1994	2,022.9	2,028.3	12,121.9	244.3	-8,315.0	1,725.6
1995-1999	2,727.3	2,722.2	6,614.4	270.6	-1,435.5	4,143.6
2000-2004	2,399.3	3,905.1	3,615.1	317.6	2,371.6	5,278.6
2005-2009	2,442.1	12,014.1	1,608.9	336.1	12,511.2	4,746.7
2010-2014	3,353.8	1,163.5	1,709.7	408.9	2,398.6	657.2
2015	541.8	286.5	395.1	89.6	343.7	256.4
2016	845.4	977.6	551.8	87.4	1,183.9	397.5
2017	346.9	309.1	429.3	85.1	141.5	309.9
2018	586.1	396.9	728.0	88.7	166.4	378.6
2019	563.0	550.6	383.2	90.0	640.4	381.6
2020	653.1	230.8	286.1	90.0	507.8	91.4
Total amount	21,007.5	27,996.8	39,530.6	2,615.8	6,857.9	19,847.6
	Total income	49,004.3	Total expenses	42,146.4		
				Result accrued excluding interest	6,857.9	
				Debt owed to the Federal Government	3,435.8	
				of which regulated under reschedulings	757.7	

* Recoveries for claims paid and rescheduled amounts include special revenues and exchange rate gains.

** For methodical reasons, interest received by the federal budget is excluded when calculating the financial result since the refinancing costs incurred by the Federal Government in respect of claims paid are also not included.

Differences are due to rounding



UNTIED LOAN GUARANTEES 71

Interest in untied loan guarantees to safeguard supplies of raw materials to German industry was very strong in 2020. There was particularly high demand for raw materials for key and future technologies. Due to the pandemic, many projects were initially postponed at an early planning stage. In the case of three projects, the eligibility for cover in the light of raw material policy considerations was confirmed, while an offer of cover was issued for two projects and a guarantee provided for one project.

12 raw materials in 14 countries

Over the last five years, the Federal Government has confirmed the eligibility of raw material projects in 14 countries for 12 different raw materials in the light of supply considerations.

[› Page 74](#)

4.7 billion

The Federal Government's exposure under aggregate outstanding guarantees stood at 4.7 billion euros as of the end of 2020.

[› Page 74](#)

UFK ENQUIRIES – DISTRIBUTION AMONG THE TYPES OF RAW MATERIALS IN 2020

	Raw materials	Number
Minerals		25
	Copper	6
	Rare earths	3
	Cobalt	3
	Vanadium	2
	Lithium	2
	Bauxite	1
	Aluminium	1
	Platinum group metals (PGM)	1
	Nickel	1
	Palladium	1
	Molybdenum	1
	Pig iron	1
	Tungsten	1
	Ferronickel	1
Energy raw materials		5
	LNG	2
	Methanol	1
	Bioethanol	1
	Oil	1
Other raw materials		5
Total 2020		35

THE YEAR AT A GLANCE

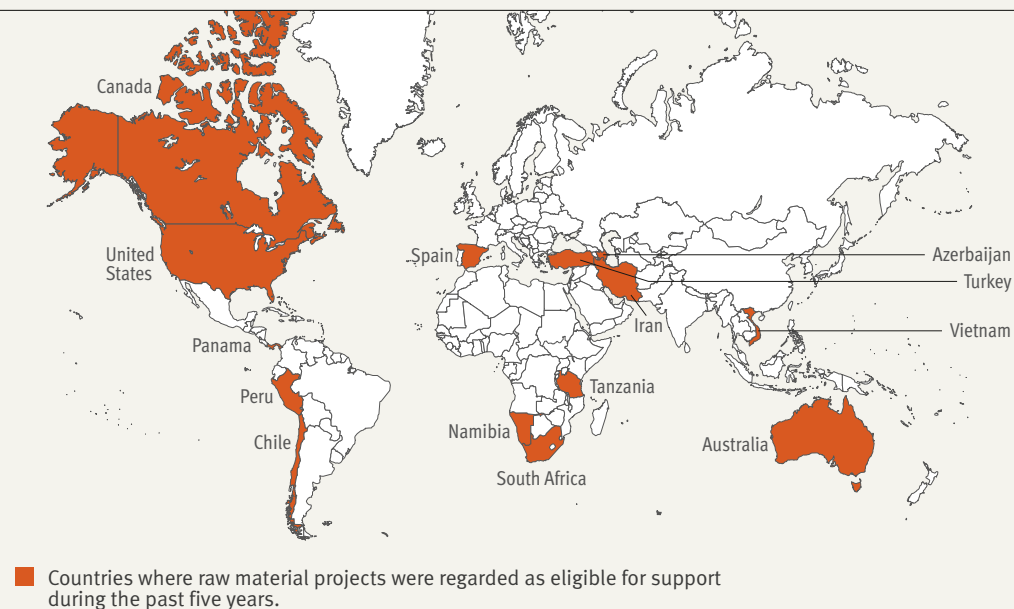
As in the previous year, 2020 saw continued high interest in raw materials for future and key technologies such as electromobility and renewable energies. These raw materials include rare earths, cobalt and lithium as well as conventional industrial raw materials such as copper in particular. The focus is on finding ways of safeguarding supplies for the German industry. The further development of key technologies depends on the existence of stable value chains.

The raw material markets were largely characterised by significant price fluctuations in 2020. Many projects that were still at an early planning stage were temporarily deferred due to the uncertainties arising in connection with the Covid-19 pandemic. However,

the persistently high number of inquiries testifies to the fundamental need for cover for raw material projects. The pandemic also highlighted the supply chain risks resulting from a strong regional concentration of sources of raw materials and the dominance, in particular, of Asian market participants. Securing quantities of raw materials under long-term purchase contracts has therefore additionally grown in importance for companies.

UFK-GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY
► **Untied Loan Finance**

UFK UNDERWRITING PRACTICE – COUNTRIES



In 2020, a new untied loan guarantee worth a total of 445 million euros (plus cover for interest) was issued. In addition to this, offer of cover for 220 million euros (plus cover for interest) was provided for a further project. No new **applications** were submitted (2019: two). At 35 (2019: 33), the number of **inquiries** remained at a high level. Most of these inquiries related to mineral raw materials (primarily copper). In 2020, plans for three of these projects (one for pig iron, one for copper and one for tungsten) had already progressed far enough for the Federal Ministry of Economic Affairs and Energy to confirm their **eligibility for cover in the light of raw materials supply considerations**.

12 raw materials in 14 countries

All in all, the Federal Government has confirmed the eligibility of 22 projects in 14 countries around the world in the light of supply considerations over the last five years. These projects entailed 12 different mineral and energy sources, thus underscoring the range of raw materials and projects for which untied loan guarantees are available.

4.7 billion

The Federal Government's maximum liability (exposure) under the guarantees issued and still on risk – including cover for interest – stood at 4.7 billion euros at the end of 2020. Of this, raw material projects accounted for 4.5 billion euros, while 0.2 billion euros was for development-bank projects aimed at expanding and promoting market-economy structures

in other countries. As of the end of the year, the portfolio comprised a total of twelve guarantees, including ten guarantees for raw material projects and two for development-bank projects.

The untied loan guarantees paid for themselves in the year under review from the receipt of premiums and fees. No indemnification was paid.

■ 74



Untied loan guarantees for corporate finance

In January 2020, the Federal Government adopted a new raw materials strategy, under which the scope of the untied loan guarantees was extended to include corporate financing, in which the funds are not tied to a specific investment project. The existence of a long-term raw material supply contract with a German offtaker as well as compliance with environmental, social and human rights standards are still prerequisites for a guarantee. This new product attracted a great deal of interest in the market and was the subject of numerous inquiries.

The 2020 Budget Act provided for a joint statutory cover limit of 80 billion euros for the issue of untied loan guarantees, investment guarantees and European Investment Bank loans.

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info@ufk-garantien.de
agaportal.de/en > raw materials



Untied Loan
Guarantees

Example of a project: The Northvolt project in Sweden – battery cell production for electric vehicles

In 2020, the German government granted an untied loan guarantee of 445 million euros (plus cover for interest) for the Northvolt Ett project in Skellefteå, Sweden. Long-term supply agreements between the project company and the Volkswagen Group as well as BMW AG forms the basis for the Federal Government's participation in financing this project. In addition to the offtake

agreements, Volkswagen and BMW are also involved in the project as investors. With the support of the Federal Government, the two automobile manufacturers are able to secure supplies of high-quality lithium-ion battery cells, which are urgently needed for the production of electric vehicles, over a period of at least seven years. Accordingly, the offtake agreements are making a



significant contribution to the technological transformation of the German automotive industry and supporting the further expansion of a future technology that is of crucial importance for Germany and Europe.

Upon completion in 2022, Northvolt Ett will operate one of the largest battery cell production facilities in Europe with an annual output of up to 40 GWh. The project also sets standards as regards environment and sustainability thanks to the use of electricity from solely renewable sources and the insourcing of cathode material. Northvolt Ett is also seen as a pilot and reference project for the “Northvolt Two” production plant, which is to be built in a joint venture between Northvolt and Volkswagen in Salzgitter by 2024.

The external finance of 1.6 billion US dollars is being provided by commercial banks and pension funds with the participation of the Federal Government (untied loan guarantees), the European Investment Bank and ECAs from France, Japan and South Korea. SMBC (as the untied loan guarantee agent), Uni Credit Bank, Danske Bank, Siemens Bank, Swedbank, Intesa Sanpaolo, Nordic

Investment Bank, ING, BNP Paribas Fortis, Société Générale, KfW IPEX-Bank and SEB are involved in the financing under the untied loan guarantee of 525 million US dollars.

By issuing the untied loan guarantee, the Federal Government is making an important contribution to the expansion of a forward-looking technology in Germany.

Construction of Northvolt Ett's main production plant in Skellefteå, Sweden.



ANNEX – EXPORT CREDIT GUARANTEES

CLASSIFICATION OF COUNTRIES

Classification of countries into industrialised countries and emerging economies and developing countries

Industrialised countries:

The group of industrialised countries comprises all countries with OECD country classification 0; these include OECD high-income countries (according to the World Bank definition: countries with a GNI per capita above 12,536 US dollars in 2020), member states of the European Monetary Union including their affiliated territories, as well as Singapore.

Andorra, Australia, Austria, Belgium, Canada, Chile, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Netherlands, New Zealand, Norway, Poland, Portugal, San Marino, Singapore, Slovak Republic, Slovenia, Spain, South Korea, Sweden, Switzerland, United Kingdom, United States, Vatican City

and their dependent territories:

BES Islands, Ceuta and Melilla, Gibraltar, Greenland, Guadeloupe, French Guiana, Martinique, Mayotte, Réunion, St. Pierre and Miquelon.

American emerging economies and developing countries:

American Virgin Islands, Anguilla, Antigua and Barbuda, Argentina, Aruba, Bahamas, Barbados, Belize, Bermuda, Bolivia, Brazil, British Virgin Islands, Cayman Islands, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Falkland Islands, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Montserrat, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Sint Maarten, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands, Uruguay, Venezuela.

African emerging economies and developing countries:

Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cabo Verde, Central African Republic, Chad, Comoros, Congo, Congo (Democratic Republic), Côte d'Ivoire, Djibouti, Egypt, Equatorial Guinea, Eritrea, Eswatini (until 2018 Swaziland), Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, St. Helena, Sudan, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe.

Asian emerging economies and developing countries:

► Middle East:

Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine (autonomous territories), Qatar, Saudi Arabia, Syria, United Arab Emirates, Yemen.

► East Asia:

Brunei Darussalam, Cambodia, China PR, Hong Kong, Indonesia, Korea (Democratic People's Republic), Laos, Macao, Malaysia, Mongolia, Philippines, Taiwan, Thailand, Timor-Leste, Vietnam.

► South/Central Asia:

Afghanistan, Armenia, Azerbaijan, Bangladesh, Bhutan, Georgia, India, Kazakhstan, Kyrgyzstan, Maldives, Myanmar, Nepal, Pakistan, Sri Lanka, Tajikistan, Turkmenistan, Uzbekistan.

► Oceania:

American Samoa, Cook Islands, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Micronesia, Nauru, New Caledonia, Niue, Northern Mariana Islands, Palau, Papua New Guinea, Pitcairn Islands, Solomon Islands, Samoa, Tokelau, Tonga, Tuvalu, Vanuatu, Wallis and Futuna.

European countries (without industrialised countries):

Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, North Macedonia, Republic of Moldova, Montenegro, Romania, Russia, Serbia, Turkey, Ukraine.

DEFINITIONS AND EXPLANATIONS

Arrangement (OECD Consensus):

The Arrangement is a “Gentlemen’s Agreement” between the OECD members which lays down certain minimum and maximum terms permissible for officially supported export credits with a maturity of more than two years. The Arrangement aims at creating a level playing field for the exporters and avoiding financing competition which would place an unnecessary burden on national budgets.

Ceiling:

For countries where cover facilities have been restricted for risk management reasons, an amount of cover is fixed which places a limit on the maximum amount for which guarantees can be issued, i.e., a ceiling is established. As a rule, such ceilings apply to transactions with repayment terms of more than 12 months.

Club of London:

The uncovered loans granted by commercial banks are rescheduled by the banks on their own initiative (cf. also Paris Club).

Coinurance:

When the primary supplier passes on his foreign risks to the subcontractor, e.g. if and when the latter only gets paid when the foreign buyer has paid the primary contractor, an application can be made for so-called coinurance. Among EU member states, this is regulated by a Council Directive. There are bilateral agreements with other credit insurers. Besides this,

there is the option of concluding a coinsurance agreement with other state export credit agencies covering just a single transaction.

Commercial risks:

Commercial risks are mainly insured under the cover given for the credit and manufacturing risks involved in export contracts with private buyers. In the case of credit risk, the insured event is the uncollectability of insured accounts receivable as a result of the insolvency of the foreign buyer, as well as his simple non-payment after the expiry of a certain period (protracted default). In manufacturing risk cover, the commercial risks recognized as insured are also the occurrence of buyer insolvency during the manufacturing period, the unlawful repudiation of the contract by the buyer as well as non-payment of cancellation costs if the contract was lawfully cancelled.

ECA:

Export Credit Agency which supports exports by means of state export credit insurance, direct lending, refinancing or interest subsidies.

Environmental, social and human rights audit:

The OECD Recommendation of the Council on Common Approaches for Officially Supported Credits and Environmental and Social Due Diligence (Common Approaches) essentially forms the basis for the assessment of environmental, social and human rights risks of projects abroad, in which German exporters are involved as suppliers.

Exposure:

Total commitment level of the Federal Government booked against the maximum exposure limit or the commitment under an individual export credit guarantee.

Interministerial Committee (IMC):

Decides on matters of principle and on the availability of cover for individual transactions. The Federal Ministry for Economic Affairs and Energy takes the decisions on the cover applications with the approval of the Federal Ministry of Finance and in agreement with the Federal Foreign Office and Federal Ministry for Economic Cooperation and Development. Representatives of the mandatary and experts are also on the IMC.

Marketable risks:

With effect from 2002, the political and commercial risks arising out of export transactions with credit periods of up to two years in EU countries as well as core OECD countries are considered to be marketable risks. In line with the principle of subsidiarity, state cover is therefore no longer available for such risks. The new EU Commission Communication which came into force on 1 January 2013 regulates up to 2020 the procedure under which a country may be classified as temporarily non-marketable if and when sufficient cover is not available from the private credit insurers.

Multi-sourcing projects:

Projects involving exporters from different countries and, in many cases, with multinational financing.

Offer of cover:

Declaration of intent to provide cover subject to the condition that the factual and legal basis of the transaction does not change (transaction earmarked for cover).

Parallel insurance:

When the various suppliers in a multi-sourcing project each have their own payment claims against a foreign buyer, each supplier insures his receivables against loss with his own national export credit agency.

Paris Club:

International association of official creditors which restructures the debt of countries experiencing payment difficulties. The debt treatment refers almost exclusively to officially guaranteed commercial debt, i.e. guaranteed in particular by the governments of the creditor countries and development aid loans. The Paris Club has no organisational structure with written statutes. The procedural guidelines have been developed over the course of time and are amended when and as necessary (cf. "Club of London").

Political risks:

The origin of political risks is to be sought in measures or events originating in the sphere of state authorities. In the case of cover for amounts due for payment, such risks are political circumstances which cause the insured accounts receivable to become uncollectible, especially the general political cause of loss, which includes legislative or regulatory actions and so-called chaos events such as war, civil unrest

or revolution in foreign countries. The Federal Government further grants cover for the conversion and transfer risk, i.e., the risk that amounts duly paid by the foreign buyer in local currency are not converted and/or not transferred due to restrictions on the international payment system between countries. Cover is also given for the risks of frustration of contract, when it becomes impossible to fulfil a contract and entitlements under it are lost, as well as the risk of loss of goods before the passing of risk for reasons which can be attributed to political circumstances. If such a cause of loss seems likely – just as in the case of the general political cause of loss – and the goods are sold elsewhere in such a situation, then the risk of a shortfall in the proceeds realized is also insured. In the case of manufacturing risk cover the political risks insured comprise the political circumstances abroad which lead to the cessation of manufacture or to non-shipment, as well as embargos imposed under the export law and by any third countries which may be involved.

Project financing schemes:

Are applied to complex export transactions where the project itself generates sufficient income to cover the operating costs and the debt service for borrowed funds.

Protracted default:

Non-payment which persists for a longer period. If an amount owed by a foreign buyer is not settled within a period of, normally, six months after due date, this is considered to constitute protracted default. In the case of the buyer credit cover facility the waiting period is reduced to one month.

Reinsurance:

Using the reinsurance model, projects involving exporters from different countries (multi-sourcing-projects) can be covered by a single export credit insurer, so that the main supplier and the financing bank only have to deal with one partner. The risk is shared between the parties to the reinsurance agreement according to the national percentages of goods delivered.

Special Drawing Rights:

The Special Drawing Right (SDR) is a form of artificial currency unit used by the International Monetary Fund (IMF). The exchange rate is defined by a basket of currencies comprising the US dollar, the euro, the pound sterling, the yen and the renminbi (yuan).

Statutory cover limit:

Maximum amount stated in the Federal Budget Act up to which liability in the form of issued export guarantees may be accepted. The Federal Office for Central Services and Unresolved Property Issues keeps a record of the total amount of the issued export guarantees and monitors the utilisation of the statutory cover limit.

Structured finance transaction:

The financing of an export transaction in which, due to insufficient or non-assessable creditworthiness of the foreign debtor, and because conventional security instruments (payment guarantee, letter of credit) are not available, other elements are included in the construction to ensure service of the debt, such as the proceeds of offtake agreements.

Total outstanding risk of the Federal Government:
The country risk statistics reflect the debt owed by individual countries (including interest) to the Federal Republic of Germany and the amount which would actually have to be indemnified by the Federal Government under the export guarantees issued.

Uninsured percentage:
Exporter's share in the loss in an event of loss, normally 5% for political risks and 15% for commercial risks and protracted default. For Wholeturnover Policies, it is 10% for commercial risks. Until the end of 2022 the uninsured percentage agreed in supplier credit cover and Wholeturnover Policies for commercial risks can be reduced to 5% against the payment of a premium surcharge. In the case of buyer credit cover, the uninsured percentage is 5% for all risks, for manufacturing risk cover it is also 5% and for Wholeturnover Policies light it is 10% for all risks.

COMMENTS

Note about the use of the masculine form:
In the interest of readability the parallel use of the language forms male, female and divers (m/f/d) is avoided. The terms used throughout the text refer likewise to all genders.

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The leadership function in the Interministerial Committee, which has the underwriting responsibility for the Federal Export Credit Guarantees, is exercised by the [Federal Ministry for Economic Affairs and Energy](#):

Bundesministerium für Wirtschaft und Energie
Referat VC2
Scharnhorststraße 34-37
10115 Berlin
www.bmwi.de

The Federal Government has appointed [Euler Hermes Aktiengesellschaft](#), Hamburg, (Euler Hermes), to manage the official export credit guarantee scheme.

Further details, information, documents and advice on the opportunities offered by export credit guarantees and the applicable procedures can be obtained by contacting the Head Office of Euler Hermes Aktiengesellschaft or one of its branch offices. Extensive information material on the official export guarantee scheme, e.g. current editions of the AGA Report, the General Terms and Conditions, application forms and information leaflets as well as the Annual Reports can also be accessed via the Internet. The “Hermes Cover Special” addresses key aspects of export credit guarantees in detail. Further brochures are also available on the Internet.

2020: ▶ Untied Loan Guarantees granted by the Federal Government for corporate finance



2020: ▶ Expert opinions for Project Financing and Structured Finance



2018: ▶ Duties under supplier and buyer credit cover



This report on the export credit guarantees provided by the Federal Republic of Germany is published in German and English.

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Export Credit Guarantees and Untied Loan Guarantees:
instruments to promote foreign trade and investment
provided by the:



Commissioned to implement the federal
funding instruments 'Export Credit Guarantees'
and 'Untied Loan Guarantees':



Cover from the Federal Republic of Germany for foreign business

Export Credit Guarantees and Untied Loan Guarantees have been established and effective foreign trade promotion instruments of the Federal Government for decades. Export Credit Guarantees (so-called Hermes Cover) protect German exporters and banks financing exports against political and commercial risks. Untied Loan Guarantees are to support raw material projects abroad regarded as eligible for promotion by the Federal Government. Both promotion instruments play an important role in fostering economic growth as well as in protecting and creating jobs. Federal Government commissioned Euler Hermes Aktiengesellschaft to manage the federal funding instruments Export Credit Guarantees and Untied Loan 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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