



German  
Economic  
Team

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**TECHNICAL NOTE**  
**UKRAINE**

# Public insurance for German foreign investment and implications for Ukraine during the war

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# Structure

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# 1. Introduction

## Motivation

- » During the war and during post-war reconstruction, Ukraine will require private investments to achieve sustainable economic growth and green transition
- » Investment will be a function of reforms and available insurance schemes, addressing the increased external risk environment
- » Germany has a long-standing experience in supporting investments abroad with its public insurance scheme (“Investitionsgarantien”)
- » It has kept its scheme open for Ukraine even during the war

## Purpose of this Technical Note

- » It briefly explains the main features of the German public insurance
- » It highlights the adjusted policy for Ukraine during the war

## 2. Public insurance for German foreign investment: General aspects

- » The German public investment insurance scheme has been mandated by the **German Federal Government** to **PwC Germany** as the handling agent.
- » PwC administers the whole instrument from taking in applications through risk assessment up to proposals for decisions and claims management if necessary.
- » The final decisions regarding coverage are taken in an Inter-Ministerial Committee (IMC) consisting of four ministries, meeting every 8 – 9 weeks
  1. Ministry for Economic Affairs and Climate Action,
  2. Ministry of Finance,
  3. Foreign Office,
  4. Ministry of Economic Cooperation and Development.
- » The decision-making is also supported by experts from large corporates and industry associations as well as representatives of PwC, but without own voting rights.
- » Decisions in the IMC are made unanimously
- » Currently, (2023 Budget Law) there is an overall guarantee ceiling of **EUR 60 bn** which is, among other official financial measures, dedicated to coverage of political risks of foreign direct investments eligible for official financial support

## 2. Public insurance for German foreign investment: General aspects (cont'd)

### General risk coverage of public insurance for German foreign investment

War risks (incl. revolution, terrorism, armed conflicts)	Expropriation risks	Convertibility and transfer risks	Breach of contract risk (on special request)
Coverage of total or quasi-total war-related losses	Expropriation	Payment embargo or moratorium risk	Payment commitments
<b>Exclusion</b> of business interruption or partial losses	Nationalisation	Currency conversion	
		Investment transfer risk	

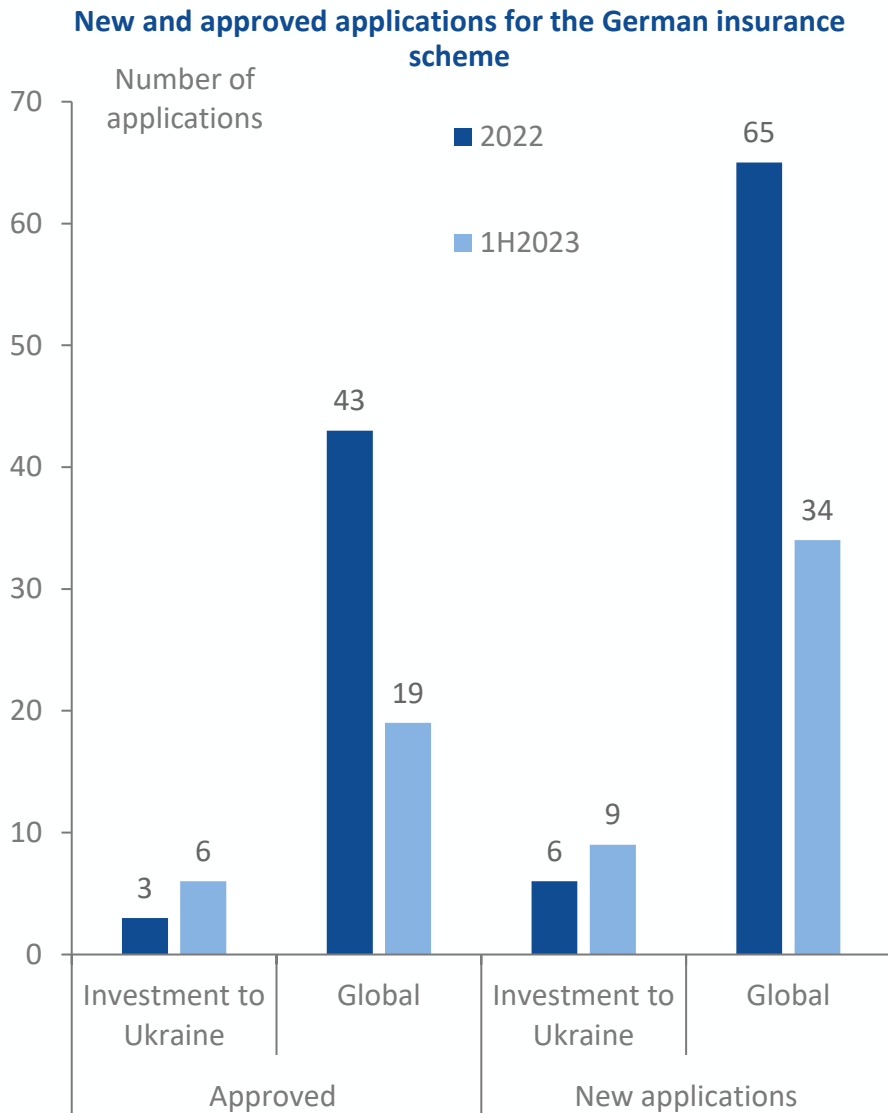
Source: PWC, own illustration

### Characteristics of the public investment insurance in Germany

Duration	<ul style="list-style-type: none"> <li>The guarantee is up to 15 years</li> </ul>
Coverage	<ul style="list-style-type: none"> <li>Equity participations,</li> <li>Investment-like loans,</li> <li>Participations through holding companies,</li> <li>Endowment capital, rights qualifying as assets,</li> <li>Other earnings might be included: dividends, interest on capital investment or investment type subordinated loans.</li> </ul>
Fees	<ul style="list-style-type: none"> <li>Applications with up to EUR 5 m (cover for capital and for earnings) no fees.</li> <li>For exceeding amount, a handling fee of 0.05% is charged, with a max of EUR 10,000.</li> </ul>
Premium	<ul style="list-style-type: none"> <li>Premium p.a.: 0.5% of max. guarantee amount for the capital cover (invested capital) or interest earnings.</li> </ul>

Source: PWC, own illustration

### 3. Adjustment of the scheme for investment in Ukraine during the war



Source: Federal Ministry for Economic Affairs and Climate Action

- » While usually the insurance scheme is closed for new applications if one of the risks materialises, GER gov has kept it explicitly open for Ukraine, covering:
  - Total losses
  - Expropriation/nationalisation
  - Transfer risks since Aug-23 due to liberalisation of capital restrictions by NBU
- » Application fees postponed until 2025
- » 15 new applications and 9 approved guarantees since early 2022
- » In Apr-23, Bayer (EUR 60 m) and Fixit announced investment in capacity enlargement, the latter company using a guarantee
- » Totally, GER insures investments of 14 enterprises in UKR, with total coverage volume of EUR 280 m (as of Aug-23), ca. 8% of 2021 GER FDI position in UKR

## 4. Conclusion and policy implications

- » Public insurance schemes are long-established instruments to support and protect German investment abroad
- » Germany has kept its instrument open for new applicants for new investment to Ukraine
- » This should be followed by other Western partners, as GER investment in UKR was just ca. 5% of total foreign investment stock in UKR in 2021
- » Other countries, incl. UK and France, have announced working on similar schemes or open their available schemes
- » Furthermore, in Ukraine, only 13% of investment was foreign, 87% domestic in 2021
- » Therefore, an international scheme covering domestic and foreign investments would be a „game-changer“
- » New approaches need a combination of private insurance cover, public investment guarantees, reinsurance for Ukraine and participation of multilateral institutions → public and private partnership

# About the German Economic Team

Financed by the Federal Ministry for Economic Affairs and Climate Action, the German Economic Team (GET) advises the governments of Ukraine, Belarus\*, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

*\*Advisory activities in Belarus are currently suspended.*

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