WORLD TRADE ORGANIZATION

IP/C/W/132/Add.4/Suppl.1
20 October 1999

(99-4530)

Council for Trade-Related Aspects of Intellectual Property Rights

Original: English

IMPLEMENTATION OF ARTICLE 66.2: INFORMATION FROM DEVELOPED COUNTRY MEMBERS

Supplement

GERMANY AND IRELAND

The present document reproduces information on the implementation of Article 66.2 of the TRIPS Agreement by Germany and Ireland.

---

1. Germany

Germany's cooperation with developing countries involves many different forms of private sector support. This support creates better conditions for the transfer of technology and the involvement of German companies in the developing countries. The emphasis is on raising their levels of technological competence.

The public-private partnership (PPP) approach involves specific backing for German businesses' contributions to development projects. Technology transfers to developing countries represent a component of each project.

In addition, the following examples can be given of measures to involve German business and stimulate technology transfers:

(a) Business establishment and technology programme

This programme aims to offer German SMEs low-interest loans to set up or expand branches in the developing countries, reduce the risks faced by companies using new production technology in the context of joint ventures and further encourage technology transfers. The *Kreditanstalt für Wiederaufbau* (KfW - institute for reconstruction loans) is responsible for implementing the programme.

The guidelines for this support (2 August 1991; published in the *Bundesanzeiger* German official gazette - No 142, page 5155) provide for loans of up to DEM 2.5 million to help cover investment expenditure incurred by German companies with an annual turnover of up to DEM 300 million. The loans are for a 15-year term, with repayment deferred for no more than five. The interest rate applied is 2.5% for "Group 1" countries (LDCs and other poor countries) and 3.5% for all others. Feasibility studies for business start-ups and technology transfer projects qualify for loans for up to 50% of allowable costs, which may not have to be repaid in full.

In 1998, decisions were taken on 71 credit applications, for a total of DEM 86.5 million. 33 applications were granted, involving loan commitments of DEM 32 million. Actual loan payments came to DEM 30 million.

A modified version of the programme will in future be part of the PPP facility.

Kreditanstalt für Wiederaufbau
Abteilung AS b/2
PO box 11 11 41
60046 Frankfurt am Main
Telephone: 069 / 7431 - 2581
Fax: 069 / 7431 - 3746
e-mail: Klaus.Gihr@kfw.de

(b) Partnerships between chambers of commerce, trade associations and saving banks

Since 1984, support has been given to programmes to forge partnerships between private sector mutual associations in Germany and the developing countries. Since 1990, this has also included the countries of central Europe and the NIS, bringing the current number of programmes to around 60. Participants are chambers of crafts, industry and trade, trade associations and saving banks, together with their representative organisations and institutes.

The programmes are aimed at the institutional strengthening of mutual associations in the partner countries and, ultimately, consolidating aspects of their role that impact on economic and social policy, e.g. providing broader and better services (particularly for SMEs) and working with government to create a business-friendly environment.

In 1998, the *Bundesministerium für Wirtschaftliche Zusammenarbeit* (BMZ - ministry of economic cooperation) approved a total of DEM 24 146 000 for these programmes. Responsibility for implementation was divided up between various bodies, as follows:

German Society for technical cooperation (DEM 500 000):

Deutsche Gesellschaft für
Technische Zusammenarbeit (GTZ) mbH
PO Box 51 80 65726 Eschborn
Dag-Hammarskjö1d-Weg 1- 565760 Eschborn
Telephone: 06196/79-0
Fax: 06196/79-1115
e-mail: postmaster@gtz.de

Institute for economic development and vocational training (DEM 20 301 292):

Stiftung für wirtschaftliche Entwicklung
und berufliche Qualifizierung (SEQUA)
Mozartstrasse 4 - 10
53115 Bonn
Telephone: 0228/98238-0
Fax: 0228/98238-19

Saving banks' institute for international cooperation (DEM 3 344 896):

Sparkassenstiftung für
internationale Kooperation (SIK)
Königswinterer Strasse 550
53227 Bonn
Telephone: 0228/9703-0
Fax: 0228/9703630

German association of cooperatives and agricultural credit groups:

Deutsche Genossenschafts- und
Raiffeisenverband e.V. (DGRV)
Adenauerallee 127
53113 Bonn
Telephone: 0228/106-0
Fax: 0228/106-266, -356

(c) Support for activities of the Senior Expert Service (SES)

The SES was set up in 1983 as a non-profit-making service of *Deutsche Wirtschaft für internationale Zusammenarbeit* (German business for international cooperation). It is a non-profit-making *GmbH* (limited company), whose shareholders are the *Bundesverband der deutschen Industrie* (BDI - association of German industry), the Carl Duisberg *Fördererkreis* (group of funding providers), the *Deutsche Industrie- und Handelstag* (DIHT - German council of industry and commerce) and the *Zentralverband des deutschen Handwerks* (ZDH - central German crafts association). Its aim is to exploit in development work the knowledge and experience of experts and leading figures no longer active professionally. The SES currently has a register of 4 700 such people. Their activities focus mainly on solving SMEs' technical and/or business problems and, at the same time, training company staff.

SES initiatives last a maximum of 6 months; the average to date has been two. In principle, the "client" in the partner country is expected to cover the costs, but if he is unable to do so, travel and project processing costs can be taken on by the BMZ.

There were 7 117 SES initiatives in 136 countries between 1983 and the end of 1998, over half of which were subsidised by the BMZ. In 1998 itself, 838 initiatives were carried out - 461 in developing countries (370 with BMZ cofinancing) and 239 in central and eastern Europe and the former Soviet Union (172 with BMZ cofinancing). Cofinancing of SES initiatives accounted for DEM 4.5 million from the BMZ budget in 1998 (of which DEM 1.5 million was for the CEECs and the NIS).

Senior Experten Service (SES)
Ehrenarmtlicher Dienst der deutschen Wirtschaft für intemationale
Zusammenarbeit GmbH - gemeinnutzige Gesellschaft
PO Box 22 62 D-53012 Bonn
Buschstrasse 2 D-53113 Bonn

Telephone: +49 228 2 60 90-0
Fax: +49 228 2 60 90-77
e-mail: ses@ses-bonn.de

(d) Support for technology transfer to LDCs via the DEG

The central task of the *Deutsche Investitions- und Entwicklungsgesellschaft* (DEG German investment and development society) is to provide structural support to the private sector in countries that are developing or undergoing reform. It does so, via finance and advice, in the framework of German Government development policy. Its objective is to make as many profitable investments in private companies as possible, whilst respecting environmental concerns and development policy.

The DEG helps with private investment in developing countries where there is the absorption capacity for entrepreneurial activity but long-term involvement is still considered too risky by commercial banks and financiers. The DEG offers its services at actual market rates; they are not subsidised. Only successful investments that pay for themselves and have a return can guarantee stable incomes and long-term employment. They generate sustainable growth and help improve living conditions in the countries concerned.

The DEG can act in any developing country whose legislation and investment climate allow for private investment. The LDCs generally operate neither onerous restrictions nor particular incentives. The exceptions are various projects for which the German Government has set up trust funds making money available on special terms. DEG financing for business projects in developing countries takes the form of share subscriptions on risk capital and long-term loans. The DEG also advises investors on project planning, preparation and implementation and supports measures taken by German SMEs before investing in projects (e.g. feasibility studies).

DEG supports specifically target business partnerships between German (or other EU) investors and local firms in developing countries. In this way the DEG is able to mobilise business and technical know-how, product and marketing expertise, basic and further training skills, and additional investment capital from other sources surpassing many times over the actual DEG funds involved.

The public-private partnerships created by coupling business investment with development cooperation funding can produce real synergy in favour of sustainable development.

In addition to direct technology transfers under joint ventures, the DEG also fosters technological skills by cofinancing local businesses with little or no access to long-term investment capital. This makes these businesses more competitive and more eligible for future partnerships, particularly with companies in industrialised countries. Furthermore, the DEG contributes significantly, though indirectly, to enhancing business potential in developing countries by support to the financial sector. In developing, and helping to fund, financing instruments which primarily benefit local SMEs, the DEG is promoting the technological innovation and ability to create jobs typical of companies of this scale.

By the close of 1998, the DEG was involved in 21 of the 48 LDCs. It had approved financing for investments in 53 businesses (including financial sector projects) totalling DEM 350.1 million, of which DEM 257.7 million was for 42 businesses in 17 African countries and DEM 92.4 million for 11 businesses in 4 Asian or Pacific countries. The LDCs accounted for 10.2% of the DEG's financing activities.

DEG - Deutsche Investitions- und
Entwicklungsgesellschaft mbH
Belvederestrasse 40 D-50933 Cologne
postal address:
PO Box 45 03 04 D-50878 Cologne
Telephone: +49 (0)221/49 86-0
Fax: +49 (0)221/49 86-290
e-mail: Wirtschaftskontakte@deginvest.de
website: http://www.deginvest.de

(e) KfW contributions to funds for infrastructure projects

The aim of such contributions is to help the private sector carry out infrastructure building, operation and maintenance projects. Private infrastructure projects receive cofinancing in the form of long-term credit offered at market rates. Under bilateral financial cooperation, infrastructure funds are augmented by development aid money.

Combined financing by the KfW

Combined financing enables budgetary resources and funds borrowed from capital markets to be used together to finance infrastructure and industrial projects in developing countries without creating significant debt problems. The budgetary resources are made available at International Development Association (IDA) rates and the market capital at current market rates. Financing must be applied for in the same way as loans under bilateral financial cooperation, i.e. private businesses cannot apply directly.

Technology transfers are encouraged in particular through the use of modem green technology, e.g. modernising coal-fired power stations, financing wind and solar energy generation, supplying local transport systems. Combined financing is also used to make funds available to investment banks in the partner countries to support environmental measures by the businesses ultimately benefiting from the loans.

(f) Promoting technology via export guarantees ("Hermes guarantees")

Offering export guarantees to promote German exports often involves technology transfers. The German Government uses these so-called "Hermes guarantees" to cover commercial export loans against political and economic risk, thus giving many developing countries access to the capital market. The guarantees are also very effective in encouraging the export of capital goods. This entails significant technology transfer as well as opportunities for the developing countries to increase domestic production.

In 1998, Hermes guarantees covered export contracts for a total of DEM 30.2 billion, involving a total of 186 importing countries. Around 68% of Germany's liabilities related to developing countries.

About two thirds of the contracts were for installations, machinery and equipment. Exports of investment goods like this generally involve significant technology transfers.

For the 10 LDCs with the highest turnover, Hermes guarantees were given in 1998 for the following contract amounts:

Lesotho	DEM 87 million
Mauritania	DEM 27 million
Cape Verde	DEM 25 million
Bangladesh	DEM 24 million
Burkina Faso	DEM 24 million
Uganda	DEM 19 million
Malawi	DEM 18 million
Madagascar	DEM 16 million
Ethiopia	DEM 9 million
Laos	DEM 6 million

2. Ireland

In 1998, Ireland's overall aid budget was Ir£139m and this figure is expected to rise to Ir£178m this year.

Ireland fully endorses EU efforts in pursuit of the promotion of technology transfer to least developed countries in order to enable them to create a sound and viable technological base. In total, in 1998, Ireland contributed Ir£34.4m to the European Union in development aid endeavour.

The focus of Ireland's bilateral aid programmes is on basic needs. Last year Ireland contributed Ir£86.8m in bilateral aid to the following countries: Ethiopia, Lesotho, Mozambique, Tanzania, Uganda and Zambia. Most of this expenditure was focused on food, water, health and education needs. In addition, Ireland has recently announced a debt relief initiative and contributes to a variety of UN programmes.

In concentrating on basic needs, bilateral Irish aid enhances the ability of developing countries to avail of technology transfer opportunities provided in conjunction with other member states through our support for EU programmes in this area.