



House of Commons
International Trade Committee

UK Export Finance

Second Report of Session 2021–22

*Report, together with formal minutes relating
to the report*

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The International Trade Committee

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Summary

UK Export Finance (UKEF) offers loans, guarantees and insurance to help UK exporters. Its role has become more significant as UK exporters look further afield to find new markets following the UK's withdrawal from the European Union, and the Covid-19 pandemic.

In December 2020, the Prime Minister announced that the UK would no longer fund fossil-fuel extraction projects abroad. We note that UKEF has a history of funding considerably more oil and gas projects than renewables, and suggest that this policy change poses both a challenge and an opportunity for UKEF. We welcome the strides that UKEF has already made in response to this policy change, and we look forward to seeing how its work to support green exports develops. However, UKEF also supports other projects with high fossil-fuel emissions, and we recommend that it considers what further steps it could take to help support the Government's net zero emissions target.

We heard from businesses and business groups that UKEF offers an excellent range of products that both protect exporters and encourage overseas buyers to purchase UK goods and services. In particular, we welcome the new working capital products—the General Export Facility and the Export Development Guarantee—which are valued by exporters. We also commend UKEF's ongoing efforts to reach more SMEs, including through its supplier fairs programme and partnership with high street banks.

We also heard that much of UKEF's support goes to relatively few large-scale manufacturing, energy and infrastructure projects each year and that it still struggles to understand and meet the needs of other exporters, including SMEs. We recommend that UKEF regularly consult with more SMEs so that it can better understand what they need, informing its approach to supporting them in the future. We note that the Secretary of State for International Trade has outlined her ambition for UKEF to support the Government's priority sectors, and are concerned that UKEF does not match her ambitions in this area.

We heard that UKEF's mandate to support all viable exports does not currently give it scope to exclude projects on the basis of environmental, social or human rights considerations. The Government must amend UKEF's mandate so that it has a clearer basis on which to make decisions that reflect the UK's wider policy objectives in these areas. We also heard that, due to the scale and the type of projects that it supports, UKEF has a significant potential exposure to bribery and corruption issues. While UKEF's recent doubling of the size of its team tasked with managing bribery and corruption risks is welcome, it should not appear to be complacent in this area and should ensure that its policies and practices in these areas are in line with those of other G7 nations.

Witnesses told us about the value that cross-Government support can bring to exporters when pursuing opportunities abroad, particularly in today's increasingly competitive international environment. We look forward to seeing the Department for International Trade's new Export Strategy, to be published later in 2021, so that businesses understand how different Government departments will work together to support UK exports abroad.

Throughout this inquiry we have heard that there is more that UKEF can do to improve its transparency. For example, UKEF's headline figures for the number of businesses it directly supports are unclear and open to misinterpretation. Similarly, the information that UKEF makes available about the projects it has supported is insufficient to understand how much support it has given to projects in different sectors or to SMEs.

Introduction

UK Export Finance

1. UK Export Finance (UKEF) is the UK's export credit agency (ECA).¹ It is a government department which is “strategically and operationally aligned” with the Department for International Trade (DIT).² It reports to the Secretary of State for International Trade and the Minister for Exports. UKEF is the operating name of the Export Credit Guarantees Department. Its purpose is to help UK businesses export using loans, guarantees and insurance, without competing with the private sector. UKEF was founded in 1919 and is the world's oldest ECA.

2. UKEF operates under the Export & Investment Guarantees Act 1991 as amended.³ It has a maximum exposure—the total value of risk it holds at any given time—of £50 billion. It operates under the consent of HM Treasury. This means that the Treasury sets financial objectives that UKEF must meet. UKEF only supports projects where more than 20% of the content—goods, services and other intangible assets provided under the contract—derives from the UK.⁴

3. UKEF's support for exporters is delivered through a range of short- and long-term products. Its short-term trade finance products (usually for up to two years) include bond support guarantees, working capital guarantees and export insurance policies.⁵ UKEF's long-term export credit products include buyer and supplier credit facilities, direct lending, lines of credit and working capital.⁶ The premiums UKEF charges are based on its level of risk exposure, its costs and long-term losses. It uses an exposure management framework to set limits for the amount of exposure—or the value of the risk—it has in a country at any given time, usually up to £5 billion.

4. Like most ECAs, UKEF also operates within a framework of international agreements. The WTO Agreement on Subsidies and Countervailing Measures⁷ prohibits subsidising exports by providing export credits for international buyers on terms that are not commercially available. The OECD Arrangement on Officially Supported Export Credits (the Arrangement)⁸ mirrors the WTO's Agreement on Subsidies and Countervailing Measures by encouraging fair competition and a level playing field among its 35 “Participants”.⁹ The Arrangement sets limitations on repayment terms, down payments, risk premiums and minimum interest rates—known as Commercial Interest Reference Rates (CIRRs)—for official support with minimum repayment terms of more than two

1 Export credit agencies support exporters by providing insurance or financing that enable exporters to fulfil orders and ensure that they are paid, and by helping buyers in other countries to purchase their countries' exports through credit and direct lending schemes. They are usually government-run.

2 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 7

3 [Export and Investment Guarantees Act 1991](#)

4 UK Export Finance, [UKEF's approach to foreign content](#), accessed 2 August 2021

5 In exporting terms, bonds can be required by buyers, particularly when they are sourcing products from international suppliers, as protection in case the exporter fails. Bonds are usually issued by a bank, to whom the exporter has paid a fee.

6 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 50

7 World Trade Organisation, [World Trade Organisation Agreement on Subsidies and Countervailing Measures](#), access 1 August 2021

8 OECD, [Arrangement on Officially Supported Export Credits](#), accessed 2 August 2021

9 Dawar, Kamala (2020) [Official export credit support: competition and compliance issues](#), *Journal of World Trade*, 54 (3). pp 373–395

years. The Arrangement covers all officially supported export credits except those for agricultural produce and military equipment. It also includes separate sectoral guidelines for aircraft, ships, nuclear power plants, water and renewable energy.¹⁰

5. UKEF reports the scale of its support for individual projects in terms of its maximum liability. Maximum liability represents the maximum amount that UKEF would pay in the event of a claim, including interest. It also includes the value of support in the form of direct loans and scheduled interest, which is accounted for on a different basis. It does not include businesses that UKEF has supported but which have subsequently been reinsured.¹¹ In this report, where we refer to the amount of support that UKEF has given to an individual project, a sector or within a time period, we mean its maximum liability, unless otherwise stated.

UKEF in a changing world

6. The UK's withdrawal from the European Union in January 2021 has made UKEF's role in helping UK companies export across the world more significant. The pandemic has also highlighted the importance of UKEF's role in enabling exporters to continue trading and protecting them in difficult conditions. In the 2020–21 financial year, UKEF paid out a total of £107 million in claims, compared with £8 million the previous year—largely as a result of the global downturn due to Covid-19.¹² In addition, the Prime Minister's announcement in December 2020 that the UK would no longer support fossil fuel projects abroad will also inevitably have an impact on UKEF, which has a history of support for oil and gas projects.¹³

7. The wider environment for ECAs is also increasingly competitive. Although all EU countries except the Czech Republic are Participants in the OECD Arrangement, emerging economies such as China, India and Brazil are not. In 2017, China provided \$36.3 billion—one-third—of the world's medium- and long-term export credits. India provided the second highest amount with \$9.7 billion.¹⁴ ECAs that operate outside the Arrangement do not have maximum repayment terms or minimum interest rates so are able to offer more competitive financing to buyers of their countries' exports. In June 2021, the US export credit agency EXIM identified China's position as the world's largest medium- and long-term loan provider as a national security threat.¹⁵

Our inquiry

8. We launched our inquiry in July 2020, focusing on the amount of support UKEF gives to exporters each year, the sizes of the companies and sectors which particularly benefit from its support, and the factors it considers when making decisions. When

10 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 292

11 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 292

12 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 23 and UK Export Finance, [Annual Report and Accounts 2019–20](#), June 2020, p 39

13 HM Government, [PM announces the UK will end support for fossil fuel sector overseas](#), December 2020 (Press release)

14 Dawar, K. (2020), [Official Export Credit Support: competition and compliance Issues](#), *Journal of World Trade*, 54 (3), p 7

15 United States Congress, [Report to the US Congress on Global Export Credit Competition](#), June 2021, p 7

the Government announced it would end support for fossil fuel projects abroad,¹⁶ we expanded the inquiry to consider what effect this might have on UKEF. We would like to thank everyone who gave oral or written evidence to our inquiry.

16 HM Government, [PM Climate Ambition Summit opening remarks: 12 December 2020](#), published 12 December 2020

1 Fossil fuel and renewable energy exports

Past support for fossil fuel exports

9. Historically, UKEF has consistently given significantly more support to oil- and gas-based energy projects than to renewable energy. In 2019, the Environmental Audit Committee found that, between 2013 and 2018, 96% of its support for the energy sector went to fossil fuel projects.¹⁷ UKEF’s Annual Reports and Accounts indicate that, although UKEF’s support for renewables has grown since 2018, it remains low compared with fossil fuel projects. However, there is not enough information in the Annual Reports and Accounts to establish a full picture of the amount of support that UKEF has given to oil and gas projects in particular each year.

10. In 2018–19, UKEF supported one renewable energy project—for the transmission of hydroelectric power from the Lauca-Luanda dam in Angola—to the tune of £44 million. That year it also supported a series of deals for powerplants in Iraq (£878 million in total) and the Duqm refinery project in Oman (£733.5 million).¹⁸ In 2019–20, UKEF supported three wind farms in Taiwan (£392 million), and solar power projects in Spain (£38 million). That year, UKEF also supported a collaborative financing project for the development of the BAPCO oil refinery in Bahrain (£552 million) and power infrastructure in Malaysia (£63 million).¹⁹

11. In 2020–21 UKEF did not support any renewable energy projects.²⁰ It supported one fossil fuel project: a liquefied natural gas extraction project in Mozambique for approximately £910 million.²¹

Change of Government policy

12. On 12 December 2020, the Prime Minister announced that the UK would no longer support drilling and mining for hydrocarbons around the world.²² The press statement said that the Government aims to “end export finance, aid funding and trade promotion for new crude oil, natural gas or thermal coal projects, with very limited exceptions [...] as soon as possible, and before COP26.”²³ The Government also launched a consultation on the implementation and impact of the new policy, and confirmed that UKEF would continue to consider applications while that was ongoing.²⁴

17 Environmental Audit Committee, Nineteenth Report of Session 2017–19, [UK Export Finance](#), HC 1805, para. 6

18 UK Export Finance, [Annual Report and Accounts 2018–19](#), June 2019, pp 36–37 and [UK Export Finance: business supported 2018–19](#), published 25 June 2019

19 UK Export Finance, [Annual Report and Accounts 2019–20](#), June 2020, pp 49–50 and [UK Export Finance: business supported 2019–20](#), published 25 June 2020

20 [Q180](#)

21 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, pp.57–59 and [UK Export Finance: business supported 2020 to 2021](#), published 22 June 2021

22 HM Government, [PM Climate Ambition Summit opening remarks: 12 December 2020](#), published 12 December 2020

23 HM Government, [PM announces the UK will end support for fossil fuel sector overseas](#), (press release) published 12 December 2020

24 HM Government, [PM announces the UK will end support for fossil fuel sector overseas](#), (press release) published 12 December 2020

13. In the Government’s response to the consultation, it announced that the policy would be implemented from 31 March 2021. The response also included “strong mitigating and supportive actions” such as a one-year exemption for SMEs and a Transition Export Development Guarantee to give working capital to oil and gas companies with “credible transition plans”.²⁵

14. On 22 March 2021, the Secretary of State for International Trade, Rt Hon Elizabeth Truss MP, wrote to Louis Taylor, UKEF’s Chief Executive Officer, outlining the Government’s strategic priorities and her “expectations of how UKEF will work to deliver against those priorities”.²⁶ In the letter, she said:

I expect UKEF to support businesses [...] delivering renewable and clean energy, helping the UK to ‘build back greener’ and create new skilled job opportunities.²⁷

15. However, in evidence to the Environmental Audit Committee, taken in 2019, Louis Taylor suggested that because there is a “considerable amount” of liquidity²⁸ available for renewable energy projects, the need for UKEF support is limited.²⁹ When we asked him about these comments in June 2021, he said he still believed this to be the case and said that there “is a lot of money looking for yield that will naturally gravitate towards these smaller utility projects, and that is still a very strong flow.”³⁰

16. Nicholas Wrigley from Winch Energy, a renewable energy developer, disagreed with this analysis. He said that the amount of liquidity for renewable energy projects was very much dependent on where the project was to take place. Mr Wrigley told us that there are two markets for renewables—the “G20 economies that are perfectly capable of providing credit back in a power purchase arrangement” and “everybody else”. He said that, “Private banks will not lend to projects where the offtaker is a sovereign [nation] that has poor credit, so that is basically the rest of the world.”³¹

17. Although UKEF did not support any new renewable projects in the last financial year, we heard that there were projects “in the pipeline” that would be ready to be issued support in 2021–22. Louis Taylor told us that UKEF is “so confident” it can use its current direct lending allocation of £2 billion that it is planning to bid for an increase to the allocation in the coming Spending Review.³²

18. In June 2021, UKEF published its first climate-related financial disclosure as part of its 2020–21 Annual Report and Accounts. This included an update on its progress in terms of its governance, strategy, risk management, metrics and targets, as recommended

25 Department for Business, Energy and Industrial Strategy, [Aligning UK international support for the clean energy sector - Government response](#), published March 2021

26 Department for International Trade, [Letter from the Secretary of State for International Trade to UK Export Finance on UKEF’s annual priorities](#), published 22 March 2021

27 Department for International Trade, [Letter from the Secretary of State for International Trade to UK Export Finance on UKEF’s annual priorities](#), published 22 March 2021

28 Liquidity is the ability to buy or invest in a particular commodity or financial instrument at stable and transparent prices.

29 Oral evidence taken before the Environmental Audit Committee on 19 March 2019, HC 1804, (2018–19), [Q235](#)

30 [Q183](#)

31 [Q75](#)

32 [Qq178–183](#)

by the Task Force on Climate-Related Financial Disclosure (TCFD).³³ UKEF did not include information on the greenhouse gas emissions of the projects it currently supports. However, it said that it will increase the amount of climate-related information it makes available year-on-year, and that “quantitative disclosure and scenario analysis are key objectives for disclosure within our second (2021–22) report in 12 months’ time.”³⁴

Wider net zero opportunities

19. Ipek Genscu from the Overseas Development Institute also told us that, while ending support for fossil fuel projects is a welcome step towards achieving the UK’s net zero commitments, UKEF has committed a significant amount of support to long-term fossil fuel projects—some very recently—that may no longer be compatible with climate change targets.³⁵ We also note that, while UKEF only supported one fossil fuel-extraction project last year, it has continued to support other sectors with high greenhouse gas emissions. For example, in 2020–21, it gave £7 billion of support to the aerospace sector.³⁶³⁷

20. Professor Andreas Klasen from Offenburg University told us that although the Government’s policy change on supporting fossil fuel projects abroad has meant that the UK is now a “frontrunner” among ECAs, “other governments are very ambitious as well”. He said that the United Nations’ 2015 Sustainable Development Goals (SDGs), which include an action to combat climate change, are becoming much more important to ECAs.³⁸ In practice, he said, this means “scaling down support that is not consistent with the Paris Agreement and contributions to climate-resilient development and low-carbon financing.”³⁹ On 14 April 2021, the UK, Denmark, France, Germany, the Netherlands, Spain and Sweden launched the Export Finance for Future (E3F) coalition, which aims to: “accelerate the progressive phasing out of carbon-intensive projects and significantly increase the financial support to exporters’ projects compatible with the Paris climate agreement.”⁴⁰

21. We also heard that UKEF must scale up the support it gives for renewables if it is going to be able to capitalise on its status as a “frontrunner” among ECAs. Jack Semple from the Engineering and Manufacturing Alliance told us that although UKEF has had a reputation for supporting oil and gas projects, it now has “a huge opportunity” to establish itself in terms of renewables and green machinery and to “develop that expertise”.⁴¹ Nicholas Wrigley similarly said that financing renewables projects, unlike oil and gas, can

33 Task Force on Climate-Related Financial Disclosures, [Recommendations of the Task Force on Climate-related Financial Disclosures](#), June 2017, p v

34 UK Export Finance, [Annual Report and Accounts 2021–22](#), June 2021, p 138

35 [Q71](#)

36 UK Export Finance, [Annual Report and Accounts 2021–22](#), June 2021, p 57

37 According to the European Union, direct emissions from aviation accounted for 3.8% of Europe’s total CO₂ emissions and 13.9% of its transport emissions in 2017. European Commission, [Reducing emissions from aviation](#), accessed 28 July 2021

38 The SDGs are part of the United Nation’s 2030 Agenda for Sustainable Development which was adopted by all UN Member States in 2015. There are 17 SDGs. United Nations, [Sustainable Development Goals](#), accessed 9 August 2021

39 [Q88](#)

40 Ministère de L’Europe et Des Affaires Étrangères, [Export finance coalition launched to fight climate change](#), published 14 April 2021

41 [Q76](#)

mean “you have to dig deep into that project”, which involves skilled people and that, “It is not entirely clear to me that that is necessarily UKEF’s core business today. It needs to be, but it probably isn’t.”⁴²

22. On 23 June, the Minister for Exports, Graham Stuart MP, also told us that UKEF will create a “clean industries” team of 20 people with a remit to generate business and “increase participation” across the wind power, solar, green hydrogen, tidal and decommissioning sectors and supply chains.⁴³

Conclusions and recommendations

23. We welcome the Government’s commitment to end UKEF support for fossil fuel projects abroad but note that this poses a challenge: UKEF has given considerably more support to oil and gas projects than renewables in the past. The UK’s creation and membership of E3F Coalition reaffirms the UK’s commitment to the Paris climate agreement. We therefore welcome the creation of a “clean industries team” and look forward to learning its composition, remit and ambitions. *We request an update on the work of the clean industries team in September 2022, including its progress in reaching and providing specialist support to more companies that export renewables technologies and their supply chains.*

24. Although UKEF only supported one fossil fuel-extraction project last year, it has continued to provide a significant amount of support to other sectors with high greenhouse gas emissions. *We recommend that UKEF consider how it can further contribute to meeting the UK’s net zero emissions target by 2030 and ask that it share the outcomes of this consideration with us by the end of March 2022.*

25. We welcome UKEF’s first climate-related financial disclosure and look forward to seeing more information about the projects it supports through a full quantitative disclosure and scenario analysis in its next Annual Report and Accounts.

42 [Q67](#)

43 [Q202](#)

2 UK Export Finance Products

26. Business associations and individual exporters indicated that UKEF’s product range is very good.⁴⁴ UKEF broadly categorises its products as either buyer finance, exporter guarantees or insurance. UKEF’s current range of products is shown in the table below.

Table 1: UK Export Finance products

Buyer finance	Exporter guarantees	Insurance
Win contracts: attractive financing terms for overseas buyers of UK goods and services can help exporters make their offering more competitive .	Fulfil orders: help companies access the support they need to fulfil a contract, giving them the confidence to take on more contracts and increase their turnover .	Get paid: help companies manage risks in challenging markets, ensuring that they get paid even where the private market is not able to offer insurance.
Buyer Credit Facility Direct Lending Lines of Credit Standard Buyer Loan Guarantee Bills and Notes Guarantee	Bond Support Scheme Export Working Capital Scheme General Export Facility Export Development Guarantee Supply Chain Discount Guarantee	Bond Insurance Policy Export Insurance Policy Overseas Investment Insurance

Source: UK Export Finance, Annual Report and Accounts 2020–21, June 2021, p 51

27. In both its 2019 and 2020 benchmarking reports, the British Exporters Association (BExA) rated UKEF 9/10 for its product range, compared with an EU average of 7.93/10.⁴⁵ Only two of the 40 ECAs included in the 2020 benchmarking report were given a score of 10/10.⁴⁶ UKEF also told us that “Global Trade Review (GTR), the industry publication, awarded UKEF the title of ‘Best ECA’ for each of the last 3 years (2018–2020), and TXF the same for the last two years.”⁴⁷ However, we note that UKEF did not win either award in 2021.

New products

28. In 2020, UKEF introduced two new working capital facility products. The Export Development Guarantee (EDG) is for amounts over £25 million and is aimed at larger companies. The General Export Facility (GEF) is for up to £25 million and aimed at SMEs.⁴⁸ Through these products, UKEF provides guarantees of up to 80% of the credit risk so that banks can give exporters flexible loans that they can use for working capital, as guarantees for buyers or, in the case of the EDG, large capital purchases.⁴⁹ In order to qualify for either scheme, exporters must show that either in any one of the last three

44 See, for example, Jack Semple from the Engineering and Manufacturing Alliance (EAMA) [Q57](#); Bluewater Bio ([UEF0004](#)); British Exporters Association ([UEF0022](#)); INEOS ([UEF0014](#)); UK Finance ([UEF0038](#))

45 [BExA’s 10th Annual Benchmarking, incorporating UKEF’s 2018–19 results](#), British Exporters Association, October 2019, p 9 and [BExA’s 11th Benchmarking, incorporating UKEF’s 2019–20 results](#), British Exporters Association, 30 December 2020, p 10

46 [BExA’s 11th Benchmarking, incorporating UKEF’s 2019–20 results](#), British Exporters Association, 30 December 2020, p 16

47 UK Export Finance ([UEF0033](#))

48 In evidence, Ian Tandy from HSBC described a working capital facility as “an overdraft, a term loan or a revolving credit facility”. [Q128](#)

49 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 55

financial years at least 20% of their annual turnover has been made up of UK export sales, or in each of the last three financial years at least 5% of annual turnover has been made up of UK export sales.⁵⁰

29. Exporters and high street banks told us that the two new products were welcome. Susan Ross from the British Exporters Association also said that the introduction of the GEF and the EDG was an “enlightened move”.⁵¹ Ian Tandy from HSBC said that the GEF is going down “incredibly well with some of our customers”.⁵² Similarly, Bhavna Saraf from Lloyds Bank reported that, even though the GEF is a new product, “some clients have already gone live on deals, so we are expecting a good take-up.”⁵³

30. However, Jonathan Brenton from the Confederation of British Industry said, “If you are an absolutely new exporter, you cannot use GEF because you need a three-year track record of exporting. There is a gap there that UKEF could address.”⁵⁴ Ms Ross also told us that the British Exporters Association would like UKEF to do more for smaller companies by guaranteeing 100% of the loans for GEF. She added, “We are talking here about loans to help companies develop, grow and then be able to pay more taxes in the future.”⁵⁵

31. We put these comments to Louis Taylor and Minister Stuart. They countered that it is important that companies accessing these products have a track record in exporting and that, for new exporters, UKEF already has products that support individual contracts. Minister Stuart also said that these products offer an opportunity to invest in businesses and suggested that UKEF support could be used to considerably amplify that which banks might be willing to give.⁵⁶

32. Between the launch of the GEF in December 2020 and 14 June 2021, UKEF had supported 19 applications from 18 exporters, and was considering a further three.⁵⁷ The EDG was launched in July 2020, since when UKEF has guaranteed more than £7.6 billion of loans through it.⁵⁸

33. In 2020–21 UKEF also “relaunched” its Standard Buyer Loan Guarantee (SBLG) through which it can guarantee a loan of up to 85% of the “contract value to the overseas buyer of a smaller UK exporter—typically worth between £1 million to £30 million”.⁵⁹ It also “fully launched” its Supply Chain Discount Scheme—a guarantee to banks to provide supply chain facilities to exporters—which allows suppliers to “discount their invoices and get paid earlier”.⁶⁰

50 UK Export Finance, [General Export Facility](#), accessed 26 July 2021 and UK Export Finance, [Export Development Guarantee](#), accessed 26 July 2021

51 [Q5](#)

52 [Q128](#)

53 [Q129](#)

54 [Q7](#)

55 [Q5](#)

56 [Qq206–208](#)

57 [PQ 121 4](#) [on Exports: Government Assistance], 14 June 2021

58 [UK Export Finance: business supported 2020 to 2021](#), published 22 June 2021

59 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 28

60 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 28

Products suggested by exporters

34. Exporters told us that there are products UKEF currently does not offer that would be very beneficial to them. For example, we heard that tender-to-contract exchange rate cover would encourage more businesses to export, as it would protect them if the exchange rate with another country changed in the period between them putting in a tender and winning a bid for a contract.⁶¹

35. We were also told that UKEF does not tailor its contracts to different sectors, which is particularly problematic for wind-farm projects. Boskalis and the British Exporters Association reported that bespoke policy wording is needed to anticipate potential issues specific to these projects, such as needing to reposition heavy lifting equipment.⁶²

36. Another suggestion was that country cover limits—the maximum amount of support that UKEF will give to exports to a country—should be raised or lifted entirely.⁶³ However, other exporters suggested that the limits were about right, or did not often cause issues.⁶⁴ We also note, that due to Covid-19, the country limit to the UK was temporarily doubled (to £10 million)⁶⁵ and that all other country limits were temporarily increased by 50% to £7.5 million.⁶⁶

Concessional lending

37. Businesses and their representatives said they would value a concessional lending export finance product for developing countries from UKEF.⁶⁷ Concessional loans have interest rates which are lower than the market rate or have longer repayment periods. Adrian Jones from Boskalis explained that, because UKEF does not offer concessional finance, UK exporters are locked out of supporting infrastructure projects in countries like the Maldives. He said: “if UKEF or the UK Government is enabling concessional lending or even providing concessional lending, it could really make a difference to a country such as the Maldives.”⁶⁸

61 See, for example, British Exporters Association [Q6](#); Bluewater Bio ([UEF0004](#)); UK Finance ([UEF0038](#)); and Royal Boskalis Westminster N.V. (The Dutch parent of a number of UK Subsidiaries), Boskalis Marine Contracting Ltd, Boskalis Subsea Ltd, Gardline Ltd, Horizon Geosciences Ltd ([UEF0010](#))

62 See, for example, British Exporters Association [Q6](#), Royal Boskalis Westminster N.V. (The Dutch parent of a number of UK Subsidiaries), Boskalis Marine Contracting Ltd, Boskalis Subsea Ltd, Gardline Ltd, Horizon Geosciences Ltd [Q149](#) and UK Finance ([UEF0038](#))

63 See, for example, Standard Chartered Bank ([UEF0027](#)); British Exporters Association ([UEF0022](#))

64 See, for example, Royal Boskalis Westminster N.V. (The Dutch parent of a number of UK Subsidiaries), Boskalis Marine Contracting Ltd, Boskalis Subsea Ltd, Gardline Ltd, Horizon Geosciences Ltd ([UEF0010](#)) and GKB Ventures LTD ([UEF0001](#))

65 On UKEF's Annual Report and Accounts, the UK is listed as the “destination country” where products which are not specifically linked to export contracts have been issued to UK companies. These can include the Export Development Guarantee or the Supply Chain Discount.

66 [UK Export Finance Annual Report and Accounts 2021–22](#), June 2021, p.81

67 See, for example: UK Finance ([UEF0038](#)); Nicholas Wrigley, Winch Energy, [Q61](#); GKB Ventures LTD ([UEF0001](#)); British Exporters Association ([UEF0022](#))

68 [Q162](#)

38. Concessional loans are either tied or untied. Tied concessional lending requires developing countries that are in receipt of aid to also borrow from the donor country or its ECA, while untied aid does not. Minister Stuart said “we are aware of a number of countries, including France, Austria, the Netherlands, Japan, Korea and China that provide both tied and untied concessional finance schemes for which we do not have an equivalent.”⁶⁹

39. However, Dr Kamala Dawar from Sussex University raised concerns about “blurred mandates” when providing concessional financing for developing countries. She said: “As soon as you start bringing in, “What do I get out of this?”, where is the monitoring and the accountability? Is the NAO going to come in five years after? Is there going to be accountability after the event?”⁷⁰

40. Minister Stuart identified concessional finance as a key lever which other Governments use to “position their industry overseas” and “deliver strategic leadership benefits” such as soft power and influence. He said that UKEF, DIT and the FCDO have done some work on “an untied but concessional finance scheme, the developing markets infrastructure programme” which UKEF could deliver, but that the scheme “has not yet been launched yet due to pressures on the ODA budget”.⁷¹

Conclusions and recommendations

41. **We commend UKEF for its range of products to support exporters. While many businesses and business associations said that the range of UKEF’s product range was good, some identified further products that would assist exporters. We recommend UKEF consider introducing contract exchange-rate cover and sector-specific policy wording, and report back to us by the end of January 2022 about the viability of doing so.**

42. **We welcome the introduction of new working capital products such as the General Export Facility and Export Development Guarantee which give exporters the flexibility they need. We heard from some witnesses that the eligibility criteria for both products exclude new exporters, but UKEF told us that it has alternative products for these businesses. UKEF should make sure that it is providing products for new exporters of different sizes and from different sectors, and that it is communicating its offer to them.**

43. **The Government has told us that it is working on a new, untied concessional financing scheme that will enable UK exporters to find more opportunities in developing countries. In its response to this report, the Government should provide us with more details about its proposed untied concessional finance offer, including whether it will come from the Official Development Assistance budget, and details of any consultation or impact assessment it has planned or already undertaken.**

69 [Q232](#)

70 [Qq161–162](#)

71 [Q232](#)

3 Companies and sectors supported by UKEF

Overall numbers of exporters

44. On 23 June, Minister Stuart told us that, in the 2020–21 financial year, UKEF had provided “£12.3 billion in support for UK exports, directly supported 549 companies, double the number from 2018–19”.⁷² Similarly, in UKEF’s 2020–21 Annual Report and Accounts, Louis Taylor said:

UKEF helped UK businesses weather the storm in 2020–21, having a record year in support of our exporters, providing £12.3 billion in finance and insurance and directly supporting 549 UK businesses—doubling the number from 2018–19[.]⁷³

45. However, of those 549, only 167 of those “directly applied for finance and insurance”; 81 “were successfully referred by UKEF to private sector providers”; 3 received UKEF support and were successfully referred to a private sector provider. The remaining 298 were UK companies that “secured business supplying goods and/or services to a UKEF-supported project”.⁷⁴

46. The claim that UKEF had doubled the number of exporters it supports in the last two years was also based on the headline figure in both years (549 exporters supported in 2020–21 and 262 supported in 2018–19). When comparing those that “applied for finance or insurance”, UKEF only supported 25 (17%) more exporters in 2020–21 compared to 2018–19.⁷⁵ Below is a breakdown of the number of exporters supported by UKEF over the past five years:

Table 2: Breakdown of total exporters supported by UKEF 2016–21

	2020–21	2019–20	2018–19	2017–18	2016–17
Total exporters supported, of which:	549	339	262	191	221
Directly applied for a UKEF product	167	135	142	145	148
Companies that have secured business supplying goods and/or services to a UKEF-supported project	298	140	81	-	-
Successfully referred to private sector support	81	62	34	45	71
Applied for a UKEF product and successfully referred to private sector support	3	2	5	1	2

Source: UK Export Finance, Annual Report and Accounts 2020–21, June 2021, p 35

72 [Q166](#)

73 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 35

74 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 13

75 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 35

Conclusion and recommendation

47. UKEF's headline figure of 549 businesses supported in 2020–21 could be misinterpreted, as the number of exporters that received its direct support was significantly lower. We recognise the value of including businesses that have received indirect support from UKEF, as well as additional work that UKEF has undertaken to secure assistance for exporters from the private market, but these should not be included as businesses to which UKEF has given “direct support”. *UKEF should only include the number of exporters to which it has directly awarded products as its headline figure in future Annual Reports and Accounts, with others that have benefitted from secondary support listed as such.*

Sizes and sectors of exporters

48. Of the £12.3 billion that UKEF committed in support, nearly £11 billion was accounted for by 12 transactions to nine exporters. Rolls Royce received the most support, with over £3.3 billion, followed by: £1.9 billion to British Airways; £1.2 billion to EasyJet; and £1.1 billion to BAE Systems. In addition, £937 million was committed to support the Cairo Monorail Project and £910 million for Total's Liquefied Natural Gas project in Mozambique.⁷⁶

49. In response to the Covid-19 pandemic and in partnership with the Treasury, UKEF put a new £10 billion Temporary Covid Risk Framework (TCRF) in place in April 2020. Although the framework was originally due to expire after four months, it is still in place.⁷⁷ UKEF describes TCRF as a £10 billion “risk management framework” designed to “provide additional support to businesses whose risk profiles have been significantly damaged and disrupted by Covid-19, but whose long-term sustainability is considered likely”.⁷⁸ In total, UKEF gave out £6.8 billion of support under the TCRF, although it is not clear from the Annual Report and Accounts which companies were given support through the framework. However, Minister Stuart told us that, due to the economic downturn caused by Covid-19, UKEF gave £7 billion of support to the aerospace sector alone in 2020–21.⁷⁹

50. Despite the additional support for the aerospace sector in 2020–21, the scale and cost of civil (including infrastructure and energy), aerospace and defence projects mean that these inevitably dominate UKEF's balance sheet each year. In 2020–21, these accounted for just under £12.2 billion (99%) of the total support that UKEF gave out.⁸⁰ In 2019–20, civil, aerospace and defence projects accounted for 94% of UKEF's support.⁸¹

76 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, pp 278–80

77 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 81

78 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 81

79 [Q201](#)

80 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p.57

81 UK Export Finance, [Annual Report and Accounts 2019–20](#), June 2020, p.49

51. UKEF's Annual Reports and Accounts also show that 52% of the companies it directly supported in 2020–21, and 45% of those it supported the previous year, were manufacturing exporters. In both years the next largest sector in terms of the number of companies supported by UKEF was “Professional, scientific and technical activities” (13% in 2020–21 and 15% in 2019–20), followed by “Wholesale and retail trade” (11% in both years).⁸²

52. In addition to the pivot from fossil fuels to clean energy (see paras 12–18) the Secretary of State has also made it clear that UKEF should be more proactive in supporting other “priority sectors”, including food and drink and technology and digital.⁸³ When we asked Louis Taylor about UKEF's experience in supporting the priority sectors outlined by the Secretary of State, he told us that UKEF has a “legacy of deal flow” in these sectors, but that UKEF has “not traditionally played a big role” in food and drinks exports. He said:

What we have tended to offer is long-term financing, and financing the purchase of a jar of Marmite for five-year money is not necessarily the right thing to do. That does not mean to say that our working capital offering could not be quite attractive to exporters that are building up their international business and need assistance that way.⁸⁴

53. Business associations reported that more sectors could benefit from UKEF's support than are currently in receipt of it, but that it needs to better understand those sectors and what they need. According to Susan Ross from the British Exporters Association, “there are opportunities for UKEF to underwrite a broader spread, more services and [...] more bespoke projects.”⁸⁵ Peter Ellingworth from the Association of British HealthTech Industries similarly said that companies in the life sciences sector feel that UKEF does not understand their needs, nor the markets to which they export. UK Finance told us that “UKEF should continually review the scope to support cutting-edge UK exports [...] targeting marketing at innovative UK sectors and considering ways in which the export-credit system could support advanced-services exports”.⁸⁶

54. Minister Stuart explained that UKEF is “there to fill in the cracks” between private sector support, and is “committed to listening harder” so that it better understands whether its interventions are needed, “rather than creating solutions that are looking for a problem.”⁸⁷

82 UK Export Finance, [Annual Report and Accounts 2019–20](#), June 2020, p.49 and UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p.57

83 [Letter from the Secretary of State for International Trade to UK Export Finance on UKEF's annual priorities](#), published 22 March 2021

84 [Qq170–171](#)

85 [Q12](#)

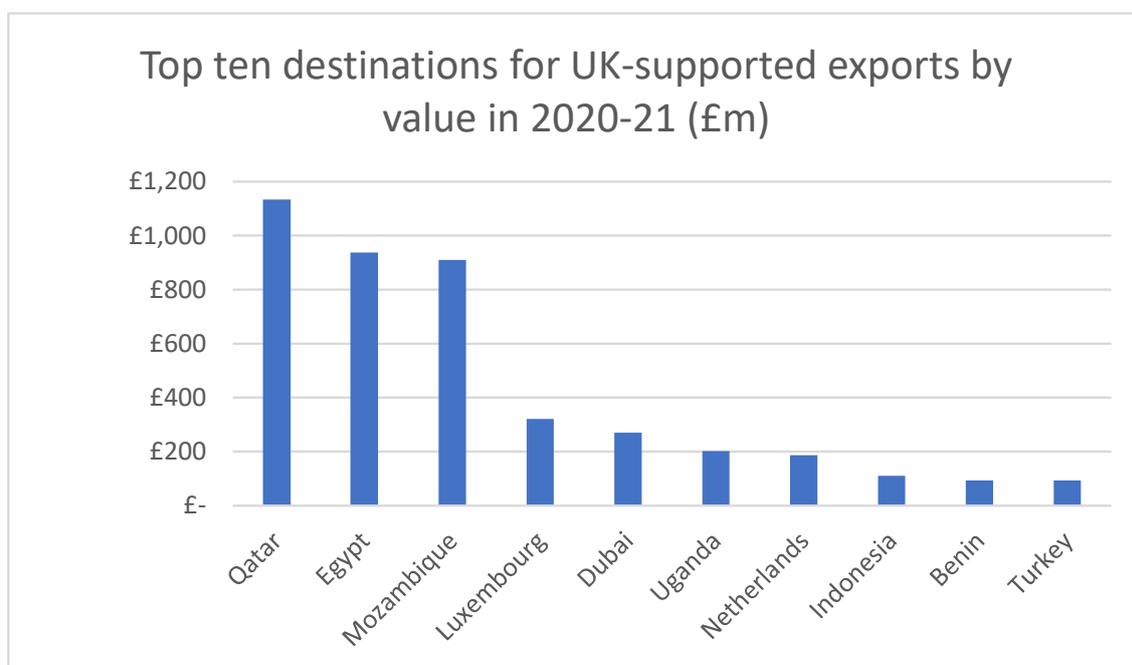
86 UK Finance ([UEF0038](#))

87 [Qq170–175](#)

Destination markets

55. In 2020–21, UKEF supported exports to 77 countries across the world. The ten countries that received the most UKEF-supported exports were:

Graph 1: Top ten destinations for UKEF-supported exports by value in 2020–21



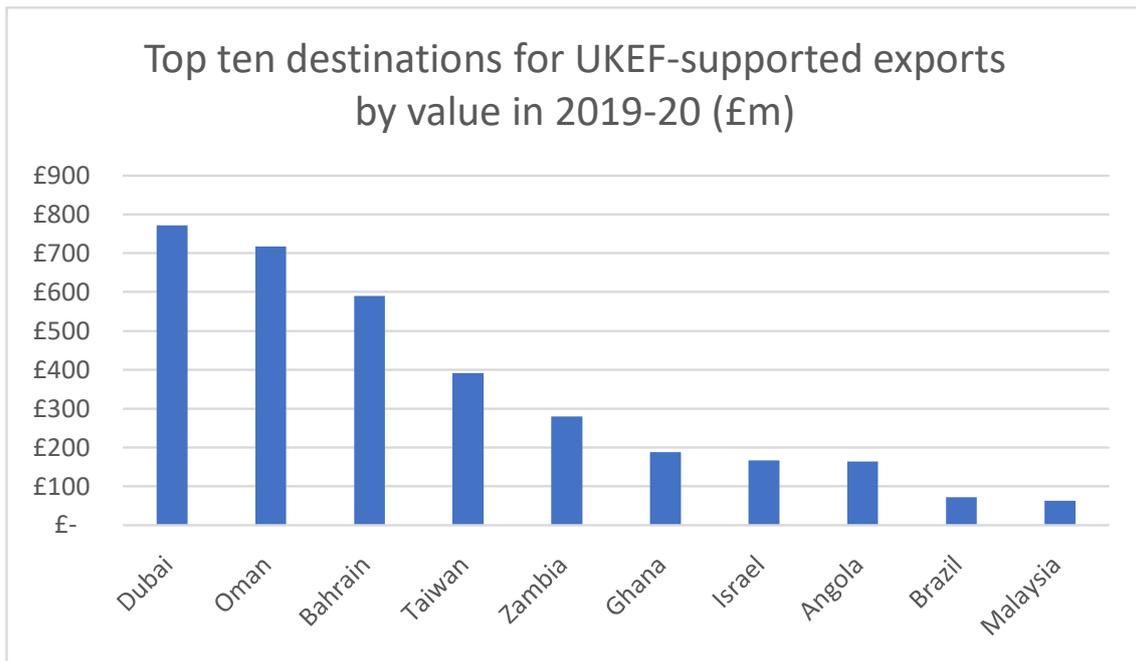
Source: UK Export Finance, [Business supported 2020 to 2021](#), published 22 June 2021⁸⁸

Excluding the £7.6 billion given in Export Development Guarantees to exporters in the UK in 2020–21, Qatar, Egypt and Mozambique received 65% of UKEF’s support, and the top ten countries received 92%.

56. In 2019–20, Dubai, Oman and Bahrain received 56% of UKEF’s overall support, excluding that given to projects in the UK. The top ten destinations received 92%.⁸⁹

⁸⁸ Please note that the UK is listed as a recipient of UKEF support in both years because it has support through working capital and other products. However, it has been excluded from both charts because it did not receive exports.

⁸⁹ UK Export Finance, [Business supported 2019 to 2020](#), published 25 June 2020

Graph 2: Top ten destinations for UKEF-supported exports by value in 2019–20

Source: UK Export Finance, [Business supported 2019 to 2020](#), published 25 June 2020

57. We heard that UKEF does not always show understanding of destination markets’ potential for different sectors. For example, Peter Ellingworth from the Association of British HealthTech Industries found that, UKEF’s website listed 17 “high-potential markets” for the life sciences. The listed markets included the US, which is a high-priority market in this sector and Ireland which, he said, has a lot of manufacturing but “is not actually a massive export market”. Similarly, he said that the next countries on the list—Hungary, Mauritius, Panama, and Trinidad and Tobago—are not high-potential because they are limited in terms of scale. He also said: “ It listed Mexico. We are under the UK Bribery Act and Mexico, along with a lot of Latin America, is quite a high-risk market for small companies to become engaged in.”⁹⁰

58. We asked Louis Taylor about how UKEF connects potential exporters from different sectors in the UK to opportunities abroad. He said:

In terms of companies going abroad, we are not the part of DIT that will help companies to just go out there and figure out what the market is and whether there is a market there for them. But for a bigger company who says, “We can see an opportunity in Mexico,” we are absolutely there for them. We are able to help them to navigate local financing partners, to navigate the Ministry of Finance often, if it is a Government project, to be able to enhance their ability to win a project.⁹¹

90 [Q39](#)

91 [Q227](#)

59. UKEF’s 2017–20 Business Plan listed 20 “priority markets” for “business development and marketing activities”.⁹² In its 2020–24 Business Plan, UKEF referenced its priority markets, identifying “Growth of pipeline in priority markets through overseas network” as a key performance indicator, but did not list the current priority markets.⁹³

International Export Finance Executives abroad

60. UKEF has a network of 15 International Export Finance Executives (IEFEs)—previously known as ‘Country Heads’—that are based across the world.⁹⁴ Richard Simon-Lewis, Director and Head of the Origination, Client Coverage, Marketing and Communications Group at UKEF, explained that the IEFEs are points of contact “in-country”, acting as the “eyes and ears of the department overseas” and “triaging appropriate bankable projects, alongside DIT in post, across all sectors within their regions.”⁹⁵

61. Richard Simon-Lewis told us that UKEF has strategic plans which take into account pre-existing awareness of UKEF for each of the regions they cover. He noted that the plan for the Middle East, where UKEF “has been in that market for some time”, is very different to that of Latin America, where IEFEs “work in a very different way to increase awareness of UKEF’s offer”.⁹⁶ We asked Mr Simon-Lewis about how UKEF measures the success of its IEFEs. He said: “Ultimately, the success gravitates around the contracts that are being won for the supply chain” and that, through the IEFEs, UKEF has committed £3.6 billion in deals over the last three and a half years.⁹⁷ We also heard that, through the IEFEs based in west Africa, UKEF has completed 8 transactions, worth over £1 billion of business.⁹⁸ Mr Simon-Lewis reported that UKEF has been given money through the strategic review to double the size of its network to 30 IEFEs and that it is currently in discussion with trade commissioners to decide where they should be placed.⁹⁹

Conclusions and recommendations

62. **UKEF has traditionally focused on sectors such as manufacturing, energy and infrastructure, which often use its support for large-scale projects in a relatively small number of countries each year. We have heard evidence that suggests UKEF is still very reliant on these sectors for business and struggles to understand or meet the needs of other exporters. While recognising the difficulties in appraising new destination markets for potential different sectors, we recommend that the UKEF goes further to identify high potential opportunity nations through further cooperation with DIT, FCDO and BEIS.**

92 UK Export Finance, [Business Plan 2017–20](#), June 2017

93 UK Export Finance, [Business Plan 2020–24](#), June 2020

94 At the time of writing, UKEF has IEFEs based in Brazil, China, Colombia, Egypt, Ghana, India, Indonesia, Kenya, Malaysia, Mexico, Philippines, Turkey, South Africa, the United Arab Emirates and the United States.

95 [Q107](#)

96 [Q109](#)

97 [Q111](#)

98 [Q225](#)

99 [Q114](#)

63. We note that the Secretary of State is keen for UKEF to develop its support for Government priority sectors where it has traditionally had very little business. The evidence we heard suggests that UKEF does not match this ambition. *We recommend that UKEF review its business model to consider how it can diversify its business to support more exports from more sectors and include this in its 2021–22 Annual Report and Accounts.*

64. We welcome the intended expansion of UKEF's network of International Export Finance Executives to 30. *We would like an update from UKEF by the end of March 2022 about where these staff will be placed and progress in recruiting them.*

4 Small and medium-sized businesses

SME exporters supported

65. UKEF's 2020–21 Annual Report and Accounts show that 79% (132) of the 167 exporters that received direct support were SMEs. However, the overall picture of how much support UKEF gave to SMEs is unclear. For example, the information given makes it difficult to find out what proportion of the overall value of support that it gave out went to SMEs. Similarly, the Annual Report and Accounts do not show how many of the 298 companies listed as having “secured business supplying goods and/or services to a UKEF-supported project” were SMEs.¹⁰⁰

66. This problem was also highlighted by Jonathan Brenton from the Confederation of British Industry. He said:

We need more information in UKEF performance reports about the number of small companies it is supporting, because the actual figure for the volume of capital given to those smaller companies is much lower, and more information on the small size of deals.¹⁰¹

Market gap for SME support

67. UKEF describes its mission as: “To ensure that no viable UK export fails for lack of finance or insurance from the private sector, while operating at no net cost to the taxpayer.”¹⁰² During this inquiry, we have tried to establish if UKEF is fulfilling its mission in terms of the support it gives to SMEs: whether the number of SMEs UKEF supports is too low because it is not reaching enough, or whether it is necessarily low because few SMEs need UKEF support.

68. Louis Taylor suggested that there is a limited amount of support that UKEF can offer SMEs, and that they need financing more generally. He said:

it is possible to overestimate the need for export finance rather than, particularly for SMEs, the need for access to finance generally. With 250,000-odd companies in the UK out of 5 million that are exporters, using your export credit agency to solve the access to finance issues of all of the SMEs is a nut to crack a sledgehammer.¹⁰³

69. Mark Ling told us that Santander's trade barometer found that access to finance was number 12 in the list of SMEs' concerns before the pandemic, but it is now at number 18. He also explained that there are a lot of other issues that need to be addressed for SMEs, such as “bureaucracy, regulation, finding overseas markets and finding suppliers and buyers”.¹⁰⁴

100 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 13

101 [Q9](#)

102 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p.6

103 [Q185](#)

104 [Q142](#)

70. On the other hand, Coriolis Technologies told us that SMEs often need export finance because there is a greater risk of non-delivery from the SME and non-acceptance by the supplier - particularly during the pandemic. It said that SMEs are much more reliant on prompt payment of invoices for their cashflow, and that “non-government Trade Credit Insurers have moved away from higher-risk propositions”.¹⁰⁵

71. Susan Ross from the British Exporters Association also explained that SMEs need UKEF because it is more difficult to get commercial support for smaller-value individual contracts—those most likely to be used by SMEs. This was because the commercial market is “set up for portfolios and for bigger single risk contracts.”¹⁰⁶

Partnership with high street banks

72. In July 2017 UKEF formed a new partnership with five high street banks. The partnership was particularly aimed at SMEs, who would be able to access UKEF support through their bank. The five partner banks are: Barclays, HSBC, Lloyds Bank/Bank of Scotland, Royal Bank of Scotland/NatWest/Ulster Bank and Santander. UKEF has developed an online portal through which the banks can authorise most transactions that meet UKEF’s criteria, reducing the need for paperwork. In 2019–20, 60% of all transactions with the banks were processed automatically.¹⁰⁷ Banks are able to authorise transactions for up to £5 million for the GEF and up to £2 million for other products.¹⁰⁸

73. However, it is not clear how many of UKEF’s transactions are processed by the banks in any given year. This information does not appear in UKEF’s Annual Report and Accounts. Similarly, Ian Tandy from HSBC reported that it had completed eight deals for the GEF in 42 days, but could not tell us what percentage of its customers it refers to UKEF products.¹⁰⁹ Mark Ling from Santander said that, “If I look at my pipeline, this time last year probably only 5% of it was supported by a UKEF short-term product; that is now at 22%. There has been an absolute step change in our pipeline.”¹¹⁰

74. The relationship with the partnership banks appears to be very much aligned to UKEF’s mission to ensure that it supports exports that might not otherwise go ahead, but that it does not compete with the private sector. Ian Tandy from HSBC said he would expect the bank to “do the vast majority of the transactions ourselves” and that it is “only when a company is looking at a potentially larger contract or looking in a marketplace that we don’t cover that we use UKEF”.¹¹¹ Mark Ling from Santander added that, because the ambition of Santander is to support “fast-growth international businesses”, the “relationship with UKEF is fundamentally core to our own proposition.”¹¹²

105 Coriolis Technologies Ltd ([UEF0026](#))

106 [Q10](#)

107 UK Export Finance, [Annual Report and Accounts 2019–20](#), June 2020, p 48

108 UK Export Finance, [Annual Report and Accounts 2019–20](#), June 2020, p 55

109 [Q134](#)

110 [Q130](#)

111 [Q126](#)

112 [Q130](#)

75. Louis Taylor also suggested that its 80% guarantee could be “incremental to the banks four times”. He said: “If the bank would lend a company 100, we can cause them to lend another 400. That is how we hope it operates.”¹¹³ PJ Valves, a specialist manufacturer and supplier of valves to the energy industry, reinforced this view and said that UKEF’s support:

allows HSBC to increase the value of the facilities given to the group, over and above that which would normally be available on commercial terms. This in turn allows the business to accept more and larger contracts from customers, thus grow the revenue, profitability and staffing.¹¹⁴

76. According to Chris Walker from the Federation of Small Businesses, the cost of underwriting UKEF deals is likely to be around £15,000-£25,000. On this basis, he explained, it would be unviable for a bank to “mitigate risk on a deal that is only £15,000.”¹¹⁵ Ian Tandy from HSBC told us that he could not verify that amount, but said: “There are extra costs, but we think of ourselves as a relationship international bank [...] if we believe the customer has longevity about them, we will always look to support them wherever we can.”¹¹⁶ Bhavna Saraf from Lloyds Bank noted that UKEF can only cover 80% of the support and that, in order to cover the remaining 20%, banks must still do their own due diligence. A further risk, highlighted by the Federation of Small Businesses, is that because small and micro-businesses might not reach the banks’ thresholds for support, they can be effectively excluded from accessing UKEF products.¹¹⁷

77. Mark Ling from Santander said that the next step in the relationship between UKEF and the banks would be an additional portal which can be used by customers and banks to “speed up processes and time into money”.¹¹⁸ Bhavna Saraf from Lloyds Bank also reported that the Swedish, Danish and Norwegian ECAs have “slicker processes” that the UK could learn from and that “we have good capabilities; we just need to find a slicker way of getting access to the people who need it.”¹¹⁹

78. In its report on Government support for UK exporters, published in October 2020, the Public Accounts Committee recommended that UKEF should expand the number of banks that can use its online portal. We note that in its response, the Government said that “work is already underway to expand the number of banks operating under the delegated approach”; that it is considering introducing a non-delegated approach; and that it is working with “other funders” to understand whether its products “could be adapted to work for their exporting customers”.¹²⁰

113 [Q187](#)

114 PJ Valves ([UEF0006](#))

115 [Q36](#)

116 [Q141](#)

117 Federation of Small Businesses (FSB) ([UEF0031](#))

118 [Q136](#)

119 [Q143](#)

120 HM Treasury, [Treasury minutes: Government responses to the Committee of Public Accounts on the Eighteenth and the Twentieth to the Twenty-Fourth reports from Session 2019–21](#), published 4 February 2021

Conclusion

79. **Developing a relationship with five of the UK’s high street banks has clearly been a positive step for UKEF—ensuring that more SMEs have access to its support when it is needed. We look forward to seeing the Government’s update to the Public Accounts Committee on its progress in expanding the network of banks it works with. We will also keep this issue under review to ensure that UKEF is doing everything it can to reach new customers through its partners.**

Awareness among SMEs

80. During our inquiry we heard from businesses and business associations that there is not enough awareness among SMEs of UKEF and what it offers. Susan Ross from the British Exporters Association said, “we need to have UKEF more visible on the ground, particularly for SMEs. I think larger companies know about UKEF, but smaller companies need help.”¹²¹ Jonathan Brenton from the Confederation of British Industry added that “There is a perception from many of our members that if it is beneath £1 million, it is very difficult to get anything out of UKEF.”¹²² Jack Semple from the Engineering and Manufacturing Alliance explained, “we need a sustained drive to explain to SMEs what the business case for UKEF is.”¹²³

81. In its 2020–21 Annual Report and Accounts, UKEF notes that “non-essential” communications activities were halted during Covid-19, but that it was given approval to relaunch its “Exporters Edge” campaign—aimed at SMEs—in September 2020.¹²⁴ UKEF reported that, despite not being able to deliver its campaign in the first half of that 2020–21 financial year, “Awareness among its target audience” [SME exporters] has risen from 20% before its marketing campaign began in 2018 to 31% in 2021.¹²⁵ However, the National Audit Office noted that in UKEF’s 2019 survey, which found that awareness was at 26%, 61% of those who were aware of UKEF said they did not know what it did.¹²⁶

82. In addition to its marketing campaign, UKEF has a network of 26 Export Finance Managers (EFMs) across the UK that are “local points of contact to introduce exporters and businesses with export potential to finance providers, credit insurers, insurance brokers, trade support bodies and sources of government support.”¹²⁷ The network of EFMs includes two renewable and clean technology specialists in Scotland and the north of England as part of the Government’s “levelling up” agenda.¹²⁸

83. Despite UKEF’s nationwide coverage in terms of its EFMs, the proportion of the exporters it supports differs significantly between the UK’s nations and broad regions of England.

121 [Q4](#)

122 [Q9](#)

123 [Q57](#)

124 UK Export Finance ([UEF0033](#))

125 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 26

126 C&AG’s Report, [Department for International Trade and UK Export Finance: Support for exports](#), Session 2019–21, HC 574, 15 July 2020, para 3.9

127 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p.54

128 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p.54

Table 3: Proportion of companies benefitting from UKEF trade finance or insurance by region 2018–21

	2020–21	2019–20	2018–19
Midlands	31%	22%	20%
Northern Ireland	6%	5%	5%
North of England	20%	14%	20%
Scotland	4%	6%	7%
South of England	38%	49%	45%
Wales	1%	5%	3%

Source: UK Export Finance Annual Reports and Accounts 2018–19, 2019–20 and 2020–21

84. UKEF also delivers a programme of supplier fairs which aim to connect “UK suppliers with international buyers who are actively looking for British products and services for their overseas project or projects.”¹²⁹ Sponsors of each supplier fair are asked to contribute £12,000 to the cost of running them. Richard Simon-Lewis told us that, to date, UKEF have delivered 15 supplier fairs, including one virtually.¹³⁰

85. Through the supplier fairs programme, UKEF told us that it has connected “over 1,500 UK SMEs with global opportunities worth hundreds of millions of pounds in sectors as diverse as healthcare, construction and energy”.¹³¹ While UKEF did not have the conversion-rates for the numbers brought into projects against the numbers that attend supplier fairs, Mr Simon-Lewis told us that, following one supplier fair in 2017, 59 of the 95 companies that attended were awarded contracts worth £124 million with ENKA.¹³² He also reported that UKEF is putting in place “measures to track content” so that it can find out how many of the companies that attended a supplier fair were later brought into a project, and that it is working on six new supplier fairs.¹³³ Supplier fairs are marketed to SMEs through trade associations and banks.¹³⁴

Processing applications

86. The Federation of Small Businesses told us that UKEF should simplify its application process as existing processes are “often felt by members to be quite slow”.¹³⁵ The British Exporters Association similarly said that UKEF’s processes for considering applications is “opaque” and can be a “turn-off for potential buyers”.¹³⁶ The Association of British HealthTech Industries said that some of its members “pointed out that UKEF have a strict set of financial pre-requisites” and that this could be “off-putting” for SMEs.¹³⁷

87. The British Exporters Association and Lloyds Bank both suggested that UKEF should develop a service level agreement so that exporters have a broad expectation of how long it might take for their application to be considered.¹³⁸ Louis Taylor told us that most applications are automated through the banks and those that are not often need

129 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 61

130 [Q117](#)

131 UK Export Finance ([UEF0033](#))

132 [Q117](#)

133 [Q117](#)

134 [Q118](#)

135 Federation of Small Businesses (FSB) ([UEF0031](#))

136 British Exporters Association ([UEF0022](#))

137 Association of British HealthTech Industries ([UEF0013](#))

138 See, for example, British Exporters Association ([UEF0022](#)) and Lloyds Banking Group ([UEF0036](#)),

further due diligence, so it is difficult for UKEF to “determine exactly how long it will take. A service level agreement, other than to say we are going to be as expeditious as we can, is perhaps not appropriate.”¹³⁹

Approach to risk

88. UKEF told us that the risk-based premium it charges allows it to cover “both the operating costs and calculated losses it may suffer on its portfolio” and that “UKEF is, therefore, a self-financing department and has consistently been a positive net contributor to HM Treasury”¹⁴⁰ In its 2020–21 Annual Report, UKEF reported that it had collected £787 million in premium income in the five years from 2015–20 and a further £330 million in 2020–21.¹⁴¹ Since 1991, UKEF has recovered the cost of every claim made against it “on a portfolio basis” and that it has returned “just over £2 billion to the Treasury”.¹⁴²

89. Susan Ross from the British Exporters Association said that, while it is important that UKEF should continue to operate at “no net cost to the taxpayer”, it has “been charging a lot for premium” and that exporters “are often quite shocked at the pricing”.¹⁴³ Ms Ross also compared UKEF—which had 135 clients in 2019–20 and generated £117 million in premium income—to Atradius, the Netherlands’ ECA, which had 128 clients in 2019 and generated €52 million in premium income.¹⁴⁴ We also heard that the ratio between the amount that UKEF receives in premiums is relatively high compared to that which it pays in claims compared with other ECAs. Adrian Jones from Boskalis noted that, over the previous five years, “six European ECAs were earning between one and three and a half times more in premiums than they were paying claims”, but that UKEF was “earning between 45 and 50 times” more in premiums than it paid in claims.¹⁴⁵

90. Jonathan Brenton from the Confederation of British Industry suggested that although UKEF should not have an “irresponsible or high-risk policy [...] it probably could afford more risk”. He also said:

There is a question for UK Export Finance about how risk is differentiated for SMEs. Does it have a policy where it is consciously taking on bigger risks in smaller contracts to move that bit of the UK economy?¹⁴⁶

Ms Ross also told us that, as well as generating cash for the taxpayer UKEF should also be “supporting companies so they grow, so they can generate wealth, employ more people and pay more tax.”¹⁴⁷

139 [Q211](#)

140 UK Export Finance ([UEF0033](#))

141 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 12

142 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 24

143 [Q19](#)

144 [Q19](#)

145 [Q157](#)

146 [Q20](#)

147 [Q19](#)

91. Louis Taylor informed us that UKEF has “recently increased the level of credit risk, lowered the credit rating, to which we are prepared to accept the banks using our guarantee.”¹⁴⁸ We also note that in 2020–21, UKEF paid £101.8 million for 231 claims, of which 228 were for the aerospace sector, which was particularly affected by the pandemic.¹⁴⁹ In the previous financial year, UKEF paid £8 million.¹⁵⁰

Conclusions and recommendations

92. **The information available about UKEF’s support to SMEs is unclear and insufficient. UKEF does not currently include the number of SMEs it has supported in its Annual Report and Accounts, nor the value of the support it has given. UKEF must develop better methodologies for collecting and presenting information, to clearly explain how much support it gives to SMEs.**

93. **Over the past few years, UKEF has created some exciting developments and opportunities for reaching and engaging SMEs, including its supplier fairs programme, its relationship with some of the UK’s high street banks, and the General Export Facility. However, the evidence we have heard from businesses, business associations and UKEF suggests that there is still a disparity between the access to export finance that SME exporters need and what UKEF provides. By the end of March 2022, UKEF should establish a method for regular consultation with SMEs of different sizes and sectors, so that it can better listen to what they need and to inform its approach to supporting SMEs in the future.**

94. **UKEF has returned money to the Treasury each year since 1991. Witnesses have told us that UKEF’s propensity to return money to the taxpayer suggests that it charges too high a price for premiums for exporters, and that it is more risk-averse to smaller companies. While we recognise the importance of looking after the taxpayer’s money and the value of managing risk effectively, we are concerned that there is a perception among SMEs that UKEF’s approach to risk means that not enough small or potential exporters are benefitting from its support. We recommend that UKEF and the Treasury review their current approach to risk and consider developing a differentiated approach to risk which enables it to provide more support to SMEs, and better communication to SMEs about how UKEF works and assesses risks. We would like the Government to report on its progress by the end of March 2022.**

148 [Q192](#)

149 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 105

150 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 35

5 Environmental, social and human rights considerations

Policy and practice

95. Dr Alistair Clark, Chair of the Export Guarantees Advisory Council, explained that UKEF’s environmental, social and human rights (ESHR) policies are based upon two international frameworks.¹⁵¹ The first is the OECD Common Approaches, and “Adherents” to them include OECD members. The Common Approaches are agreed methods for ECAs to undertake “environmental and social due diligence to identify, consider and address the potential environmental and social impacts and risks.”¹⁵² The second international framework is the Equator Principles. The Equator Principles have been adopted by more than 90 financial institutions across the world and is a “risk management framework [...] for determining, assessing and managing environmental and social risk in projects.”¹⁵³ UKEF also aims to contribute to the Government’s commitment to the UN’s SDGs by: providing support to other departments; proactively identifying and supporting projects with potential SDG impacts; and seeking new opportunities through which “UKEF support could actively create conditions to contribute to SDGs.”¹⁵⁴

96. Although UKEF has said that it is “committed to incorporating climate risk considerations into decision making for all our support”,¹⁵⁵ this ambition is in conflict with its mission to “ensure that no viable UK export fails for lack of finance or insurance from the private sector”.¹⁵⁶ Dr Clark remarked that UKEF has a “statutory duty to support projects and to support exports”, and that it “is not given the freedom to say, ‘But not in this sector’ without some form of either a change in that legislation or a strong Government position.” He went on to say, “What was so welcome about the statement on fossil fuels was that for the first time it had a clear direction about what it could support and what it could not.”¹⁵⁷

97. In accordance with the Common Approaches, UKEF screens potential transactions for “significant E&S [environment and social] risks” and categorises them as either A (high risk) or B (medium risk) and then puts measures in place “to ensure the realisation of projects aligns to international ESHR standards.”¹⁵⁸ UKEF’s 2020–21 Annual Report and Accounts show that it screened 65 projects that year, but determined that only 5 projects fell “within the scope of the OECD Common Approaches and/or the Equator Principles.” Two projects were designated to be Category B and three Category A.¹⁵⁹

98. Dr Clark told us that UKEF will set “some conditionality” within the loan agreements to ensure that a project would have a management system, policies and procedures and a grievance system “that is open and transparent”.¹⁶⁰ He said that UKEF can also send out

151 [Q82](#)

152 OECD, [Environmental and social due diligence](#), accessed 29 July 2021

153 The Equator Principles Association, [The Equator Principles](#), accessed 10 August 2021

154 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 135

155 UK Export Finance, [Annual Report and Accounts 2021–22](#), June 2021, p 140

156 UK Export Finance, [Annual Report and Accounts 2021–22](#), June 2021, p 6

157 [Q91](#)

158 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 127

159 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, pp 127–129

160 [Q85](#)

monitoring staff, or local consultants, to see what is happening on the ground. Finally, Dr Clark said, if there has been a breach of the arrangements, UKEF can withdraw its support, but that is “the nuclear option” and it is more likely that UKEF will try to proactively manage cases to improve performance.¹⁶¹

99. The 2020–21 Annual Report and Accounts show that UKEF is currently monitoring 62 ongoing projects for ESHR risks.¹⁶² This includes reviewing self-monitoring reports produced by project developers; commissioning consultants to monitor projects on UKEF’s behalf; and carrying out site visits. During the pandemic, UKEF has implemented “remote monitoring” and has used local and international consultants to continue its oversight of ongoing projects.¹⁶³

100. We also heard that although UKEF can undertake its due diligence processes on the companies that it directly supports, it cannot currently do so for those in the supply chain for a project. For example, Dr Clark said, one of the biggest concerns is in construction, where contractors and subcontractors have been known to withhold workers’ passports so that they cannot return home—a practice, he said, that “we would constitute as forced labour, in which the equivalent in UK legislation is modern slavery.”¹⁶⁴ The Export Guarantees Advisory Council, which he chairs, has asked for “an expansion of that due diligence to ensure that at least the first chain of contractors are managed effectively through processes.”¹⁶⁵ We were also told that UKEF will publish its first “modern slavery statement in relation to our own supply chain” in September 2021.¹⁶⁶

101. In the 2020–21 financial year, UKEF committed to “incorporating climate risk considerations into decision making for all our support”, and is “documenting our methodologies for taking proper account of climate change risks when considering the provision of support across all our products.”¹⁶⁷ Although, as discussed above, UKEF cannot currently refuse a project on the basis of climate risk considerations, Dr Clark said this was a “really encouraging” development and that, even if UKEF supports a project in a “hard to abate sector”,¹⁶⁸ it can do so with its “eyes wide open”.¹⁶⁹

102. Dr Klasen added that policy makers need to give better guidance on how ECAs, including UKEF, should balance their mandates to support exports with other policy objectives, particularly ESHR aspects. He said: “It is a very fine line: no compromise regarding international commitments on ESHR but a need for a forward-looking model aligning export promotion and sustainable development goals.”¹⁷⁰

161 [Q85](#)

162 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 131

163 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 131

164 [Q86](#)

165 [Q86](#)

166 UK Export Finance ([UEF0041](#))

167 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 140

168 Harder-to-abate sectors are those for which it is most challenging to reach net zero, because their emissions are so high. These sectors include cement, steel, plastics, heavy road transport, shipping and aviation, which account for 30% of global emissions. Energy Transitions Commission, [Mission Possible: Reaching net-zero carbon emissions from harder-to-abate sectors by mid-century](#), November 2018, p7

169 [Q91](#)

170 [Q104](#)

Mozambique Liquefied Natural Gas project

103. In June 2020, UKEF agreed to support French company Total’s liquefied natural gas (LNG) extraction project in Mozambique with direct lending and buyer credit guarantees worth just under £1 billion.¹⁷¹ Following the discovery of natural gas off the Cabo Delgado province on the northern coast of Mozambique in 2010, Total developed a \$20 billion project to recover 65 trillion cubic feet of natural gas.¹⁷² Exxon Mobil also has an LNG project in the same area.

104. Ipek Genscu from the Overseas Development Institute told us that the project is expected to have “huge environmental impacts”—including threatening a nearby national park, coral reefs and plant and animal species. Ms Genscu also said that the “construction alone is expected to lead to an increase of 10% in Mozambique’s emissions by 2022.” Furthermore, she told us that people have already been displaced from their homes and that recent violence against the international companies involved has resulted in the deaths of civilians.¹⁷³ Ms Genscu also pointed out that the extracted LNG will be “shipped away from the country to markets in Asia, in Europe and so on. So it is not even expected to benefit the locals”.¹⁷⁴ On 26 April 2021, Total declared force majeure¹⁷⁵ on the project, following a series of violent Islamic State-linked attacks in the area.¹⁷⁶

105. In August 2019, while the project was under consideration, UKEF listed it as a Category A project on its website, in accordance with its policy. Although it agreed to support the project in June 2020, it did not publish a “project supported” notification—which includes information about the ESHR risks, impacts and plans for mitigation—until August 2021. Minister Stuart told us that all projects supported by UKEF are subject to “rigorous scrutiny” and because there is “fee income covering the risk”, the outcome of supporting projects like this is that “there is a whole lot of extra business for UK companies from companies like Total and others involved”.¹⁷⁷ Louis Taylor told us that none of the money committed by UKEF, except for its fee, has been “drawn down”, so UKEF is not currently expecting any claims as a result of the force majeure.¹⁷⁸ We note that Friends of the Earth has been given permission for a Judicial Review into UKEF’s decision to back this project, which is due to take place later in 2021.¹⁷⁹

171 [Boris Johnson gives nod to African gas pipeline](#), *The Times*, 27 June 2020

172 Total Energies, [About the Mozambique Liquefied Natural Gas Project](#), accessed 27 July 2021

173 [Q78](#)

174 [Qq78–79](#)

175 Force majeure events are those which are beyond the control of parties to a contract, including natural disasters or the outbreak of hostilities. A force majeure clause in a contract which “excuses one or more parties from performance of the contract in some way following the occurrence of such events.” [Force majeure](#)

176 Reuters, [Total declares force majeure on Mozambique LNG after insurgent attacks](#), 26 April 2021

177 [Q219](#)

178 [Q221](#)

179 Friends of the Earth, [Friends of the Earth given permission to take UK government to court over Mozambique gas mega project](#), accessed 27 July 2021

Bribery and corruption

106. Professor Andreas Klasen told us that “bribery and corruption have become fundamental issues for many ECAs”.¹⁸⁰ In its 2020–21 Annual Report and Accounts, UKEF also states that it “faces risks of financial loss and damage to its integrity and reputation, from providing support for transactions involving financial crime, including sanctions breaches, fraud, bribery and corruption.”¹⁸¹

107. In January 2020, the Serious Fraud Office (SFO) announced that a deferred prosecution agreement (DPA) had been made between the SFO and Airbus, concluding an investigation that began in 2016 following a referral from UKEF. This investigation was part of a joint investigation with the SFO’s counterparts in France and the United States. In total, Airbus paid over €3.5 billion in fines, including €983 million to the SFO.¹⁸² The Airbus DPA followed another DPA agreed between the SFO and Rolls Royce in 2018, which the SFO said, enabled “Rolls-Royce to account to a UK court for criminal conduct spanning three decades in seven jurisdictions and involving three business sectors.”¹⁸³

108. Dr Sue Hawley told us that Spotlight on Corruption had found that UKEF had supported “£345 million-worth of corrupt transactions supported in the DPAs or the wrongdoing that was subject to the DPAs with Rolls-Royce and Airbus” and that it “took us [Spotlight on Corruption] months to get UKEF to admit to which transactions were covered by that.”¹⁸⁴ UKEF also continued to provide support to Airbus and Rolls Royce while both the prosecutions were ongoing. In 2017–18, for example, UKEF supported £954 million for exports of Rolls-Royce-powered Boeing aircraft and £41 million for the export of Airbus aircraft to Mauritius.¹⁸⁵ In that year’s Annual Report and Accounts, Louis Taylor noted that UKEF and its French and German counterparts had “developed an extended due diligence framework under which we will assess applications for export credit from Airbus.”¹⁸⁶

109. Dr Hawley also reported that Spotlight on Corruption is concerned about the companies which are being supported by UKEF and that:

seven out of 11 companies that [UKEF] was supporting in recent transactions in Africa were UK subsidiaries of foreign companies, primarily European, which had very little economic activity in the UK. Several of them were involved in very serious major corruption scandals back at home relating to bribes paid abroad.¹⁸⁷

Dr Hawley added that UKEF is currently supporting two companies that are under investigation by the SFO. She said Spotlight on Corruption was “concerned at the message this sends to business, that this does not matter, it is business as usual.”¹⁸⁸

180 [Q96](#)

181 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 167

182 Courts and Tribunals Judiciary, [SFO v Airbus judgment](#), 31 January 2020

183 Serious Fraud Office, [SFO completes £497.25m Deferred Prosecution Agreement with Rolls-Royce PLC](#), 17 January 2017

184 [Q97](#)

185 UK Export Finance, [Annual Report and Accounts 2017–18](#), June 2018, pp 157–158

186 UK Export Finance, [Annual Report and Accounts 2017–18](#), June 2018, p 34

187 [Q93](#)

188 [Q93](#)

110. In April 2021, UKEF updated its Financial Compliance webpage following a comprehensive review of its procedures in 2018.¹⁸⁹ It says that all applicants must fill in an application form “which includes making representations in respect of the contract award and financing in relation to financial crime”. Before agreeing to support any project, UKEF’s Due Diligence Unit will make “reasonable enquiries about a case and the parties to it” and will report any suspicions or “red flags” to the Compliance Division who will “undertake reasonable and proportionate enquiries [...] to assure itself, as far as possible, that UKEF does not support transactions which are tainted by financial crime.”¹⁹⁰ UKEF also notes that it has no statutory investigative powers.¹⁹¹

111. Dr Hawley also described the safeguards that UKEF has put in place to detect bribery and corruption as insufficient. As part of its application process, UKEF requires a warranty that neither a company nor its agents have paid a bribe. Dr Hawley told us that this is a “paper tiger” because there is no penalty for breaking it, and that UKEF will “only take action if it suffers a loss”. She added that “a third of applicants do not have anticorruption codes of conduct.”¹⁹² In response, Dr Clark told us that UKEF has tended to fall back on its statutory requirements for dealing with bribery and corruption, but that there “is room within those statutory requirements to be a bit more proactive”.¹⁹³ He also said that UKEF’s engagement with stakeholders, particularly Spotlight on Corruption, has been “poor”.¹⁹⁴

112. We heard that although the companies that UKEF supports are required to have procedures in place to prevent bribery and corruption under the 2010 Bribery Act, it has no such mandate. Dr Hawley said the “new procedures do commit it to deterring corruption and taking reasonable precautions to avoid loss, but we would like it first of all to have a stronger remit.”¹⁹⁵ She added that EXIM—the United States’ ECA—“robustly prosecutes any fraud against it” and that it did “44 prosecutions between 2012 and 2017”.¹⁹⁶ She also said UKEF could learn from Canada’s ECA—Export Development Canada (EDC)—which “has a lot more very clear information on its website about what it expects” and that “it says it has zero tolerance for corruption, including suspicions of corruption.”¹⁹⁷

113. In terms of ESHR risks, Louis Taylor told us that, “We do our own due diligence. That is how we do it. We do it to the standards that we are satisfied with [...] We certainly have high standards.”¹⁹⁸ However, he also said that UKEF “cannot put unreasonable compliance processes in the way of serving customers”.¹⁹⁹ When we asked what he meant by “unreasonable compliance”, Mr Taylor replied, “It would be disproportionate, and the concept of proportionality is embedded, as I say, in managing public money.”²⁰⁰

189 UK Export Finance, [Financial Crime Compliance](#), accessed 1 August 2021

190 UK Export Finance, [Financial Crime Compliance](#), accessed 1 August 2021

191 UK Export Finance, [Financial Crime Compliance](#), accessed 1 August 2021

192 [Q93](#)

193 [Q92](#)

194 [Q92](#)

195 [Q93](#)

196 [Q94](#)

197 [Q94](#)

198 [Q231](#)

199 [Q230](#)

200 [Q231](#)

114. Dr Clark told us that, following the 2020 Spending Review, UKEF would be able to double the size of its capacity to manage bribery and corruption risks.²⁰¹ Dr Clark also told us that since the Airbus investigation, UKEF has developed a stronger relationship with the SFO, better internal policies on anti-bribery and corruption and that all staff have been “trained very much on anti-bribery and corruption practices.”²⁰²

Conclusions and recommendations

115. UKEF’s mission to “ensure that no viable UK export fails” is at odds with the UK’s wider environmental, social and human rights commitments, including issues such as modern slavery, bribery and corruption. While UKEF has recently implemented new policies to identify and manage these risks more effectively, it is still obliged to support projects that are contrary to these commitments. *We recommend that the Government amend UKEF’s mandate to better reflect the UK’s environmental, social and human rights policy objectives, so that its scope to include these in its decision-making are clearer.*

116. We recognise that the LNG project in Mozambique was approved before the Government’s announcement to end support for fossil fuel projects abroad, and that the serious violence that has occurred in Mozambique around Total’s LNG project is out of UKEF’s control. *However, UKEF must make its Category A “project supported” notifications available in a more timely manner so that the information about each project’s risks, impacts and the mitigations that have been put in place is promptly publicly available, in line with the OECD Common Approaches and Equator Principles.*

117. We welcome the publication of UKEF’s new policies on bribery and corruption and are pleased to hear that it is doubling the number of staff it has working in this area. However, UKEF should not be seen to be complacent in terms of the due diligence it undertakes or the consequences for those that do not comply with its procedures. *UKEF should review its anti-bribery and corruption policies and notices to exporters and buyers to ensure that they are clear and consistent with those of its leading G7 counterparts in this area. It should report the findings of this review to us, and its plan to implement them, by the end of March 2022.*

201 UKEF was granted an additional £18.2 million for its resource budget in the 2020 Spending Review, funded through premium income, in the last spending review. This was to “enable increased support for UK exporters and ensure continued strong risk management as the world economy recovers from Covid-19”. HM Government, [Spending Review 2020](#), 15 December 2020, para 7.43

202 [Q100](#)

6 UK Government support for exporters

Operational support for exporters

118. The National Audit Office (NAO) has suggested that DIT and UKEF need to work together effectively, particularly overseas, to identify potential export finance opportunities for exporters.²⁰³ The NAO found that, where UKEF did not have IEFs placed in a country, DIT staff “who are not finance experts may not have the technical expertise to promote UKEF products.”²⁰⁴ Within the UK, UKEF’s EFMs and DIT’s International Trade Advisers cross-refer customers to one another’s services. In 2020–21, UKEF’s EFMs made 62 referrals to DIT and received 224 referrals from DIT. In both 2018–19 and 2019–20, EFMs made 145 referrals to DIT, and DIT made 303 referrals to UKEF.²⁰⁵

119. We heard from witnesses that the support of Foreign, Commonwealth and Development Office staff can be invaluable for developing UKEF-funded projects abroad. Nicholas Wrigley from Winch Energy said that developing new projects, particularly in developing countries, “is not a single player game.” Particularly for large infrastructure projects, the sovereign states which commission them view the borrowing as a “state-to-state arrangement”. He also told us that having support in-country is important and that Winch Energy tends not to do deals in countries where there is no diplomatic support. He said:

“The diplomatic cover is there to help us secure the deal. It is also there to deal with the delicate issues around human rights, corruption and so on [...] we have got an umbrella basically.”²⁰⁶

120. Adrian Jones from Boskalis told us that companies such as its parent company, Royal Boskalis, which has offices in various countries, are able to choose between ECAs and that these decisions can be led by operational concerns, such as contract wording, and the diplomatic support available throughout the project.²⁰⁷

121. Mr Wrigley also suggested that cross-government support is instrumental in helping other countries’ exporters to become more competitive. For example, he told us that ECAs in China, Denmark, Japan, Sweden and the United States work as a team with their departments for international trade and diplomats. In particular, he said, “US diplomacy is very, very focused on commercial, on promoting SMEs, large companies and corporations from the US [...] they have a very powerful voice within the given countries.”²⁰⁸ Bluewater Bio also reported that the UK’s water exporters are “not as well-served with governmental support overseas as our Dutch, German and French competitors”.²⁰⁹

203 C&AG’s Report, [Department for International Trade and UK Export Finance: Support for exports](#), Session 2019–21, HC 574, 15 July 2020, para 25

204 C&AG’s Report, [Department for International Trade and UK Export Finance: Support for exports](#), Session 2019–21, HC 574, 15 July 2020, para 2.28

205 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 55; [Annual Report and Accounts 2019–20](#), June 2020, p 48; UK Export Finance, [Annual Report and Accounts 2018–19](#), June 2019, p 41

206 [Q61](#)

207 [Q151](#)

208 [Q61](#)

209 Bluewater Bio ([UEF0004](#))

Strategic support

122. In March 2021, UKEF and DIT signed a Memorandum of Understanding (MoU) for the first time. In a published letter to Louis Taylor that accompanied the MoU, the Secretary of State identified “a number of strategic priorities” for UKEF over the subsequent twelve months. These include continuing to work closely with DIT, the Department for Business, Energy and Industrial Strategy (BEIS) and the Treasury, supporting exports and “identifying and implementing potential opportunities” for the Government’s priority sectors.²¹⁰ On 25 March, Minister Stuart said that the MoU would be published “in due course”.²¹¹ The MoU has not yet been published.

123. Witnesses also emphasised the importance of a strategic overview of exports from the Government, which focuses on the UK’s strengths. Adrian Jones from Boskalis also told us that a sector-by-sector approach, again based on the UK’s strengths, is needed.²¹² Dr Kamala Dawar said:

We are not going to be able to do those mass industrial products like cars and that kind of thing [...] From my perspective, the Government need to build up the skills base in order to be very high end and to be a market winner, not for the lowest price but because we have such a good service behind it and because people trust British products [...] For me it is about flanking policies and a wider ecosystem that encourages very high-end skilled labour here.²¹³

124. The Government last produced an Export Strategy in 2018, and it is difficult to determine whether it is still current. Although it is referenced in UKEF’s 2020–24 Business Plan, we were told during our Covid-19 and International Trade inquiry last year that a new Export Strategy would be “launched shortly”.²¹⁴ The Chancellor’s Plan for Growth, published in March 2021, commits to producing a “refreshed Export Strategy to align our support for exporters with our plan for growth and sectoral priorities.”²¹⁵ UKEF’s Annual Report and Accounts for 2020–21, also explains that it is “fully embedded in the development of the refreshed Export Strategy that will be published 2021–22.”²¹⁶

125. In June, Minister Stuart told us that the new Export Strategy would be published “shortly”. When we pressed him on what that meant, he said: “The current expectation is that it will definitely be produced by the end of this year.”²¹⁷

210 The priority sectors identified include food and drink, technology and digital, renewables and clean growth. Department for International Trade, [Letter from the Secretary of State for International Trade to UK Export Finance on UKEF’s annual priorities](#), published 22 March 2021

211 [PQ 1729 4](#) [on UK Export Finance], 25 March 2021

212 [Q164](#)

213 [Q163](#)

214 Oral evidence taken on [24 June 2020](#), HC (2019–21) 534, Q82

215 HM Treasury, [Build Back Better: A Plan for Growth](#), March 2021, p 99

216 UK Export Finance, [Annual Report and Accounts 2020–21](#), June 2021, p 66

217 [Q233](#)

Conclusions and recommendations

126. We welcome the new memorandum of understanding between DIT and UKEF, and the commitment towards continued cooperation this shows. *The Government should ensure that the MoU is published by the end of December 2021 to show how the two departments are continuing to work together to promote and support UK exporters.*

127. We recognise that there is a need for different parts of the Government to join up more effectively. We understand that there is cooperation, but have heard that exporters want more, and to know how they can be supported and by whom. *DIT should publish its new Export Strategy as soon as possible, and by the end of December 2021 at the latest, to reflect the importance of exporters to the UK's economy, and to show how the Government is supporting and championing them at home and abroad.*

Conclusions and recommendations

Fossil fuel and renewable energy exports

1. We welcome the Government's commitment to end UKEF support for fossil fuel projects abroad but note that this poses a challenge: UKEF has given considerably more support to oil and gas projects than renewables in the past. The UK's creation and membership of E3F Coalition reaffirms the UK's commitment to the Paris climate agreement. We therefore welcome the creation of a "clean industries team" and look forward to learning its composition, remit and ambitions. *We request an update on the work of the clean industries team in September 2022, including its progress in reaching and providing specialist support to more companies that export renewables technologies and their supply chains.* (Paragraph 23)
2. Although UKEF only supported one fossil fuel-extraction project last year, it has continued to provide a significant amount of support to other sectors with high greenhouse gas emissions. *We recommend that UKEF consider how it can further contribute to meeting the UK's net zero emissions target by 2030 and ask that it share the outcomes of this consideration with us by the end of March 2022.* (Paragraph 24)
3. We welcome UKEF's first climate-related financial disclosure and look forward to seeing more information about the projects it supports through a full quantitative disclosure and scenario analysis in its next Annual Report and Accounts. (Paragraph 25)

UK Export Finance Products

4. We commend UKEF for its range of products to support exporters. While many businesses and business associations said that the range of UKEF's product range was good, some identified further products that would assist exporters. *We recommend UKEF consider introducing contract exchange-rate cover and sector-specific policy wording, and report back to us by the end of January 2022 about the viability of doing so.* (Paragraph 41)
5. We welcome the introduction of new working capital products such as the General Export Facility and Export Development Guarantee which give exporters the flexibility they need. We heard from some witnesses that the eligibility criteria for both products exclude new exporters, but UKEF told us that it has alternative products for these businesses. *UKEF should make sure that it is providing products for new exporters of different sizes and from different sectors, and that it is communicating its offer to them.* (Paragraph 42)
6. The Government has told us that it is working on a new, untied concessional financing scheme that will enable UK exporters to find more opportunities in developing countries. *In its response to this report, the Government should provide us with more details about its proposed untied concessional finance offer, including whether it will come from the Official Development Assistance budget, and details of any consultation or impact assessment it has planned or already undertaken.* (Paragraph 43)

Companies and sectors supported by UKEF

7. UKEF's headline figure of 549 businesses supported in 2020–21 could be misinterpreted, as the number of exporters that received its direct support was significantly lower. We recognise the value of including businesses that have received indirect support from UKEF, as well as additional work that UKEF has undertaken to secure assistance for exporters from the private market, but these should not be included as businesses to which UKEF has given "direct support". *UKEF should only include the number of exporters to which it has directly awarded products as its headline figure in future Annual Reports and Accounts, with others that have benefitted from secondary support listed as such.* (Paragraph 47)
8. UKEF has traditionally focused on sectors such as manufacturing, energy and infrastructure, which often use its support for large-scale projects in a relatively small number of countries each year. We have heard evidence that suggests UKEF is still very reliant on these sectors for business and struggles to understand or meet the needs of other exporters. *While recognising the difficulties in appraising new destination markets for potential different sectors, we recommend that the UKEF goes further to identify high potential opportunity nations through further cooperation with DIT, FCDO and BEIS.* (Paragraph 62)
9. We note that the Secretary of State is keen for UKEF to develop its support for Government priority sectors where it has traditionally had very little business. The evidence we heard suggests that UKEF does not match this ambition. *We recommend that UKEF review its business model to consider how it can diversify its business to support more exports from more sectors and include this in its 2021–22 Annual Report and Accounts.* (Paragraph 63)
10. We welcome the intended expansion of UKEF's network of International Export Finance Executives to 30. *We would like an update from UKEF by the end of March 2022 about where these staff will be placed and progress in recruiting them.* (Paragraph 64)

Small and medium-sized businesses

11. Developing a relationship with five of the UK's high street banks has clearly been a positive step for UKEF—ensuring that more SMEs have access to its support when it is needed. We look forward to seeing the Government's update to the Public Accounts Committee on its progress in expanding the network of banks it works with. We will also keep this issue under review to ensure that UKEF is doing everything it can to reach new customers through its partners. (Paragraph 79)
12. The information available about UKEF's support to SMEs is unclear and insufficient. UKEF does not currently include the number of SMEs it has supported in its Annual Report and Accounts, nor the value of the support it has given. *UKEF must develop better methodologies for collecting and presenting information, to clearly explain how much support it gives to SMEs.* (Paragraph 92)
13. Over the past few years, UKEF has created some exciting developments and opportunities for reaching and engaging SMEs, including its supplier fairs

programme, its relationship with some of the UK's high street banks, and the General Export Facility. However, the evidence we have heard from businesses, business associations and UKEF suggests that there is still a disparity between the access to export finance that SME exporters need and what UKEF provides. *By the end of March 2022, UKEF should establish a method for regular consultation with SMEs of different sizes and sectors, so that it can better listen to what they need and to inform its approach to supporting SMEs in the future.* (Paragraph 93)

14. UKEF has returned money to the Treasury each year since 1991. Witnesses have told us that UKEF's propensity to return money to the taxpayer suggests that it charges too high a price for premiums for exporters, and that it is more risk-averse to smaller companies. While we recognise the importance of looking after the taxpayer's money and the value of managing risk effectively, we are concerned that there is a perception among SMEs that UKEF's approach to risk means that not enough small or potential exporters are benefitting from its support. *We recommend that UKEF and the Treasury review their current approach to risk and consider developing a differentiated approach to risk which enables it to provide more support to SMEs, and better communication to SMEs about how UKEF works and assesses risks. We would like the Government to report on its progress by the end of March 2022.* (Paragraph 94)

Environmental, social and human rights considerations

15. UKEF's mission to "ensure that no viable UK export fails" is at odds with the UK's wider environmental, social and human rights commitments, including issues such as modern slavery, bribery and corruption. While UKEF has recently implemented new policies to identify and manage these risks more effectively, it is still obliged to support projects that are contrary to these commitments. *We recommend that the Government amend UKEF's mandate to better reflect the UK's environmental, social and human rights policy objectives, so that its scope to include these in its decision-making are clearer.* (Paragraph 115)
16. We recognise that the LNG project in Mozambique was approved before the Government's announcement to end support for fossil fuel projects abroad, and that the serious violence that has occurred in Mozambique around Total's LNG project is out of UKEF's control. *However, UKEF must make its Category A "project supported" notifications available in a more timely manner so that the information about each project's risks, impacts and the mitigations that have been put in place is promptly publicly available, in line with the OECD Common Approaches and Equator Principles.* (Paragraph 116)
17. We welcome the publication of UKEF's new policies on bribery and corruption and are pleased to hear that it is doubling the number of staff it has working in this area. However, UKEF should not be seen to be complacent in terms of the due diligence it undertakes or the consequences for those that do not comply with its procedures. *UKEF should review its anti-bribery and corruption policies and notices to exporters and buyers to ensure that they are clear and consistent with those of its leading G7 counterparts in this area. It should report the findings of this review to us, and its plan to implement them, by the end of March 2022.* (Paragraph 117)

UK Government support for exporters

18. We welcome the new memorandum of understanding between DIT and UKEF, and the commitment towards continued cooperation this shows. *The Government should ensure that the MoU is published by the end of December 2021 to show how the two departments are continuing to work together to promote and support UK exporters.* (Paragraph 126)

19. We recognise that there is a need for different parts of the Government to join up more effectively. We understand that there is cooperation, but have heard that exporters want more, and to know how they can be supported and by whom. *DIT should publish its new Export Strategy as soon as possible, and by the end of December 2021 at the latest, to reflect the importance of exporters to the UK's economy, and to show how the Government is supporting and championing them at home and abroad.* (Paragraph 127)

Formal minutes

Wednesday 15 September 2021

Members present

Mark Garnier

Paul Girvan

Tony Lloyd

Anthony Mangnall

Mark Menzies

Craig Williams

Martin Vickers

In the absence of the Chair, Mark Garnier was called to the chair.

Draft Report (*UK Export Finance*) proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 127 agreed to.

Resolved, That the Summary of the Report be agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

[Adjourned till Tuesday 21 September at 9.00 a.m.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 20 January 2021

Jonathan Brenton, Head of Trade Policy, CBI; **Susan Ross MBE**, Vice President, British Exporters Association [Q1–31](#)

Chris Walker, Chair of the Trade Policy Unit, Federation of Small Businesses; **Peter Ellingworth**, CEO, Association of HealthTech Industries [Q32–56](#)

Wednesday 28 April 2021

Jack Semple, Alliance Secretary, Engineering and Machinery Alliance; **Nicholas Wrigley**, Chief Executive Officer, Winch Energy; **Ipek Gencsu**, Research Fellow, Overseas Development Institute [Q57–80](#)

Dr Alistair Clark, Chair, Export Guarantee Advisory Council; **Professor Andreas Klasen**, Professor of International Business and Head of the Institute for Trade and Innovation (IfTI), Offenburg University; **Dr Susan Hawley**, Executive Director, Spotlight on Corruption [Q81–106](#)

Wednesday 12 May 2021

Richard Simon-Lewis, Director & Head of Origination, Client Coverage, Marketing & Communications, UK Export Finance; **Vomic Shah**, Global Head of Origination, UK Export Finance [Q107–124](#)

Mark Ling, Head of Trade & Supplier Finance, Santander UK; **Bhavna Saraf**, Head of Trade Product, Lloyds Banking Group; **Ian Tandy MBE**, Managing Director, Global Trade & Receivables Finance UK, HSBC UK [Q125–145](#)

Dr Kamala Dawar, Senior Lecturer in International Trade & Commercial Law, University of Sussex; **Adrian Jones**, Trade & Export Finance Manager, Boskalis Marine Contracting Ltd [Q146–165](#)

Wednesday 23 June 2021

Graham Stuart MP, Minister for Exports, Department for International Trade; **Louis Taylor**, Chief Executive, UK Export Finance [Q166–236](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

UEF numbers are generated by the evidence processing system and so may not be complete.

- 1 Airbus ([UEF0030](#))
- 2 Association of British HealthTech Industries ([UEF0013](#))
- 3 B2B Cashflow Solutions ([UEF0037](#))
- 4 Bluewater Bio ([UEF0004](#))
- 5 British Exporters Association ([UEF0022](#))
- 6 CBI ([UEF0034](#))
- 7 Chartered Institute of Credit Management ([UEF0029](#))
- 8 Contracta Construction UK LTD ([UEF0025](#))
- 9 Coriolis Technologies Ltd ([UEF0026](#))
- 10 Engineering and Machinery Alliance ([UEF0032](#))
- 11 Export Finance Australia ([UEF0018](#))
- 12 Federation of Small Businesses (FSB) ([UEF0031](#))
- 13 GKB Ventures LTD ([UEF0001](#))
- 14 Global Witness ([UEF0017](#))
- 15 INEOS ([UEF0014](#))
- 16 L3Harris Commercial Training Solutions ([UEF0039](#))
- 17 Lloyds Banking Group ([UEF0040](#))
- 18 Lloyds Banking Group ([UEF0036](#))
- 19 Mechatherm International Ltd ([UEF0015](#))
- 20 PJ Valves ([UEF0006](#))
- 21 Primetals Technologies Limited ([UEF0023](#))
- 22 Rolls-Royce ([UEF0035](#))
- 23 Royal Boskalis Westminster N.V. (The Dutch parent of a number of UK Subsidiaries); Boskalis Marine Contracting Ltd; Boskalis Subsea Ltd; Gardline Ltd; and Horizon Geosciences Ltd ([UEF0010](#))
- 24 Schneider Electric ([UEF0005](#))
- 25 Spotlight on Corruption ([UEF0016](#))
- 26 Standard Chartered Bank ([UEF0027](#))
- 27 UK Export Finance ([UEF0041](#))
- 28 UK Export Finance ([UEF0033](#))
- 29 UK Finance ([UEF0038](#))
- 30 Winch Energy ([UEF0002](#))
- 31 Wilben Trade UK Ltd ([UEF0019](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2021–22

Number	Title	Reference
1st Report	Digital trade and data	HC 123
1st Special Report	UK trade remedies policy: Government Response to the Committee's Third Report of Session 2019–21	HC 269
2nd Special Report	UK Freeports: Government Response to the Committee's Fourth Report of Session 2019–21	HC 453
3rd Special Report	UK trade remedies policy: Trade Remedies Authority's Response to the Committee's Third Report of Session 2019–21	HC 707

Session 2019–21

Number	Title	Reference
1st Report	The COVID-19 pandemic and international trade	HC 286
2nd Report	UK-Japan Comprehensive Economic Partnership Agreement	HC 914
3rd Report	UK trade remedies policy	HC 701
4th Report	UK freeports	HC 258
1st Special Report	The COVID-19 pandemic and international trade: Government Response to the Committee's First Report of Session 2019–21	HC 815
2nd Special Report	UK-Japan Comprehensive Economic Partnership Agreement: Government Response to the Committee's Second Report of Session 2019–21	HC 1163