



UK Export
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Dame Meg Hillier MP
Chair of the Public Accounts Committee
Public Accounts Committee
pubacom@parliament.uk

By email only

28 September 2021

Dear Dame Hillier,

I am writing, as requested, to provide updates for the Public Accounts Committee on the work that UK Export Finance (UKEF) has undertaken in response to the recommendations made by the Committee in its report, *Government support for exporters*, published on 20 October 2020. The Committee specifically requested that UKEF should provide a written update on three of its recommendations, as listed below:

- Recommendation 5a: *UKEF should report back to us in writing by September 2021 with an update on progress and action is has taken to: Proactively target the green technology and renewable energy market.*
- Recommendation 5b: *UKEF should report back to us in writing by September 2021 with an update on progress and action is has taken to Increase the number of SMEs it is supporting in a wider range of countries through take up of its new General Export Facility, and consider using UKEF recently approved marketing budget to do that*
- Recommendation 5d: *UKEF should report back to us in writing by September 2021 with an update on progress and action is has taken to develop and implement a customer satisfaction survey. UKEF should consider the merits of developing its own survey as well as working with the Department to identify opportunities to include questions on export finance in the Department's survey. It should commit to sharing publicly more of the results*

Recommendation 5a

I am pleased to advise the Committee that UKEF continues to promote its products and support to companies of all sizes engaged in the clean growth sector across the whole of the UK. The Chancellor increased UKEF's direct lending capacity to £8 billion in the 2020 Budget, further enabling support to UK exporters and suppliers in facilitating their overseas buyers to procure from the UK. This includes £2 billion for its Direct Lending Facility to support clean growth projects. We also now offer longer terms to support deals for renewable energy projects, and are continuously exploring other areas in which we can support the renewable sector.

UKEF has also expanded its network of International Export Finance Executives (IEFEs) around the world. IEFEs are the first point of contact for various counterparties in-country and are available to discuss the financing options available from UKEF to support the exports of UK goods and/or services. This includes considering appropriate bankable projects across all sectors within their regions, with particular emphasis on clean growth sector opportunities for UK businesses, ensuring UKEF support for the global transition to a low carbon economy.

As part of this focused programme of support, UKEF ran a clean growth marketing campaign throughout February and March 2021. This was targeted at key decision makers in the clean growth and renewables sector, and utilised digital, social media and print channels. This represented the first phase of our campaign.

The second phase of the campaign, for which plans are already under way, will include a focus on partnership activity, and UKEF will use specialist trade publications to reach a wider range of UK companies working on clean growth, and convey the message that it can support their international business.

During year 2020, UKEF supported UK exporters' participation in sustainable projects overseas worth £2.4 billion. This was more than twice the corresponding amount from the previous year, and saw UKEF supporting UK business to build new hospitals, bring clean energy and develop critical infrastructure across developing countries.

The Committee may also be aware that during his appearance before the International trade Select Committee on 23 June, Graham Stuart MP, Minister for Exports, announced UKEF's creation of a new Renewables and Transition underwriting team. The new team sits within UKEF's Civil, Infrastructure and Energy Division, and will support the department's growing renewable and clean energy business, including through the new Transition Export Development Guarantee (TEDG) to support exporters' transition programmes.

The TEDG allows UKEF to provide a guarantee of up to 80% to support bank loans for general working capital or capital expenditure requirements to UK companies actively working to transition their business away from fossil fuels. UKEF agreed its first TEDG to Wood Plc in August 2021, to help the business to continue to transition to capitalise on opportunities linked to clean energy, hydrogen and decarbonisation.

Moving forward, UKEF published its Climate Change Strategy on 22 September 2021. This strategy will cover the period 2021-2024, in alignment with the department's current business planning cycle. The strategy comprises five strategic pillars, and five enablers, which represent its key elements, and how UKEF will deliver them. This Strategy will commit UKEF to achieving net zero greenhouse gas emissions across both its portfolio and its operations by 2050.

Recommendation 5b

Since launching the General Export Facility (GEF) in December 2020, UKEF has worked with partner banks, along with trade associations such as UK Finance, to promote it. As at 31 August 2021, 46 applications for GEF support had been approved. Of successful applications, 40 (87%) had been submitted by SMEs, and 27 (59%) had been submitted by exporters who were new to UKEF.

In a further step to simplify and streamline the application process, UKEF has increased the delegated limit set for its partner banks, more than doubling it from £2 million to £5 million (although of course UKEF can consider larger amounts through a non-delegated process). It is anticipated that this will offer an enhanced experience for prospective exporters seeking UKEF support. UKEF has started to expand the number of finance institutions that can offer

the GEF to prospective customers, and will continue to encourage further partners to participate.

The GEF is not the only new product that UKEF has introduced to support prospective SME exporters. In February 2021, we launched the Standard Buyer Loan Guarantee (SBLG). This enables overseas purchasers of UK goods or services to utilise government guarantees for smaller loans: the SBLG can support smaller loans that UKEF's existing buyer finance products, for between £1 million and £30 million. The benefits of this new facility include the fact that the supplier is paid as soon as the goods have been shipped, or the services have been performed, while the buyer or borrower has more time to pay (typically between two and five years, although the term can be longer or shorter depending upon the sector, and the requirements of each individual transaction). Similarly, the purchaser can borrow at either fixed or floating rates. Meanwhile, the lending institution receives a guarantee from UKEF for the amounts due under the loan.

The joint impact of the GEF and the SBLG has been to broaden and simplify access to UKEF's support, which is of especial benefit to SMEs.

Recommendation 5d

UKEF had not traditionally undertaken customer surveys. We do not have a large customer base, and have no scope to incentivise customers to complete a feedback survey, as is common in the private sector. Consequently, we have always acknowledged the difficulty in obtaining sufficient feedback for results to be meaningful.

In response to the Committee's recommendation, UKEF has now put in place feedback loops from our target audience and customers, and has also centralised its research budget. That budget is overseen by a cross-divisional group to ensure all research is well coordinated and serves the needs of UKEF's business plan, while also taking every possible opportunity to align with DIT's research programme. UKEF's research programme this year will include a qualitative survey of its SME target audience, as well as projects focused on service industry and intellectual property exports.

UKEF has introduced a customer satisfaction survey of trade finance customers who have used one of UKEF's short-term facilities. This was piloted in April and is now running. So far, about one in three of UKEF's customers have responded. The survey will remain open until the end of September 2021, with further prompts to customers to complete it, allowing people who might have missed communications over the summer to respond. UKEF will then analyse the results, and deploy further iterations of the survey in future years.

UKEF also conducts an annual awareness survey by phone of a sample of UKEF's target audience of SME exporters. It has been running for a few years now and measures awareness and understanding of UKEF, and also asks about customer needs and the challenges SME exporters have encountered seeking finance support.

The most recent survey found that awareness of UKEF had risen to 31% among its target audience, up from 20% prior to 2018, when the survey commenced. It did, however, show that understanding of UKEF's role remained low. Approximately 1 in 3 of those who were aware of the existence of UKEF said that that familiarity extended beyond name recognition.

The findings reinforced the role that UKEF can play, revealing that one in five exporters had previously lost business through issues related to payment terms, payment risk or access to finance (which might have been avoided through engagement with UKEF). However, fewer than one in ten had actually used any form of export finance (either through the commercial sector or through UKEF) in the last two years.

I hope that the committee has found this update helpful. A further response will be issued to update you on the wider report. Please let me know if you require any further information.

Yours sincerely,

A handwritten signature in black ink that reads "Louis Taylor". The signature is written in a cursive style with a long horizontal stroke at the end of the name.

Louis Taylor
Chief Executive
UK Export Finance