



Angus Brendan MacNeil MP
Chair, International Trade Committee
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Dear Mr MacNeil

Thank you for your letter of 8 November, and your further queries arising from the International Trade Committee's Inquiry into the work of UKEF.

I have noted your questions concerning our calculation of UK content in the transactions that UKEF supports, with specific reference to our provision of a Buyer Credit Facility for Bechtel ENKA, and the direct lending support for Sogea-Satom UK's involvement in the Benin highway project.

The answers to your questions are set out below:

- a. In reference to the Bechtel-ENKA project, please can you explain how the "value worth €150 million to the UK economy" was calculated, and what this includes?

The €150 million of UK content that you refer to relates to goods and services to be provided by UK suppliers, as declared when the exporter applied to UKEF for support. We are not able to share specific details in the public domain at this time, owing to commercial sensitivities. We can, however, provide details once the contracts in question have been awarded.

- b. How do you monitor whether the expected value to the UK economy is received? Do you impose sanctions for beneficiaries of UKEF support that do not offer sufficient opportunities to UK companies in their supply chain?

All exporters must complete and sign an application form which sets out the details of UK content. Furthermore, the exporter must enter into an "Exporter Agreement" with UKEF in which the exporter represents that they comply with UKEF's content requirements. That Exporter Agreement must be entered into as a condition for UKEF support before any funds are disbursed. UKEF's template Exporter Agreement requires that any change to the contract which would materially increase the "non-UK supplies limit" (i.e., overseas content) must be approved by UKEF. The Exporter Agreement also confers UKEF's right to conduct an audit of the relevant exporter, which incentivises exporters to report accurately and enables UKEF to satisfy itself that the requirements are being followed.

In addition, UKEF works with the relevant agent bank administering the loans on UKEF's behalf. Each drawing of funds is certified by the exporter and includes a confirmation that the "non-UK supplies limit" has not been exceeded. This causes the exporter's original representation to be indirectly repeated at each new loan drawing, and without this the loan drawing does not proceed.

Once a loan has been fully drawn, UKEF seeks a reaffirmation from the agent bank on the final cumulative content amounts to ensure that they match the agreed content requirements of the loan.

- c. What is the monetary value of the goods and services that have been sourced from the UK supply chain for the Sogea-Satom project to date?

As a Direct Lending facility, UKEF (as lender) monitors content to ensure that content limits are not breached at, or before, each utilisation. The amount currently drawn is €92,736,615.56, with €13,446,824.29 still to be drawn by 30 September 2022. Of the utilised amount, €23,800,879.64 is for UK goods and services.

- d. In your 2020-21 Annual Report and Accounts, you state that you were made aware that UKEF does not “currently consistently verify the reported level of UK content” in the contracts it supports and that you will address this in 2021. What measures have you put in place to ensure this happens?

To ensure that the banks are administering the loan effectively, UKEF has initiated an ongoing audit programme in which a randomised selection of drawings, their corresponding representations and supporting documents (including, but not restricted to, invoices, export certificates, bills of lading) are reviewed with reference to the representations made in the original Exporter Agreement. As part of the audit, UKEF also examines the robustness of the monitoring procedures and processes applied by the agent bank. The audit programme also allows for ad-hoc audits where UKEF has evidence or suspicions about the content levels.

You also enquired about the publication of UKEF’s statement on modern slavery. Along with other departments, UKEF submitted its modern slavery policy to officials in the Home Office in accordance with the original publication schedule. I understand that all departments’ policies are currently being reviewed, and will be simultaneously published shortly.’

I hope that this response is helpful. Please do not hesitate to let me know if you need any further information

Yours sincerely,

Louis Taylor
Chief Executive
UK Export Finance