

## **Bluewater Bio - Introduction**

1. Bluewater Bio is an award-winning global specialist in technologies for cost-effective, environment enhancing, water & wastewater treatment. Headquartered in London, Bluewater Bio's range of best in class technologies have been deployed at over 100 sites globally. The purpose of this submission is to provide our perspective of how UKEF has supported Bluewater Bio's global operations over the last few years.

*Submitted on behalf of the Company by Richard Haddon, Joint Chairman & CEO*

## **OPERATION**

### ***How comprehensive is UKEF's product offering - and how attractive are particular products when compared with private sector options?***

2. As a rapidly growing SME that trades over 50% of its revenues outside of Europe, having strong Government support is vital. We really appreciate UKEF's abilities, products and network.
3. UKEF's product offering when compared to other ECA's is comprehensive and provides a competitive edge to UK companies.
4. Winning contracts overseas requires three distinguishing elements, a winning tender application, a competitive and comprehensive financing package and a reputation that ensures quality and integrity. UK Government through UKEF enhances our overall submission.
5. Recently we have recognised initiatives within UKEF for the need to reduce bureaucracy and would wholeheartedly support this drive. Highly bureaucratic procedures are not helpful to SMEs trying to secure overseas contracts where flexibility and agility are essential
6. Without the UKEF range of products and their support, it would be unlikely that we would have experienced the amount of success we have.

### ***How suitable is UKEF's process for assessing applications for support?***

7. The processes are comprehensive and generally fit for purpose. From our perspective, we would benefit further with a more bespoke approach as the tenders that we generally bid on require some flexibility of approach.
8. An important example is with SME's emerging from start up to being sustainable and growing successfully will not always have strong balance sheets or easy access to cash to fund working capital. Early stage development will require investment into such things as R&D, which will reflect in the balance sheet. This does not indicate a "Distressed Company". Indeed it is usually the opposite. Therefore comparing retained losses with share capital as a pre requisite to UKEF providing funding is a serious barrier to entry. Investors and shareholders are obviously recognising the need to support these companies through this period of growth and it is felt that UK Government should not create preventative interventions that restrict their opportunity to win work overseas. This will also prevent banks providing performance bond guarantees that are not cash backed without the UKEF 80% support mechanism.

### ***Do particular sectors, types of projects, or projects involving certain export destinations receive more UKEF support than others?***

9. As a business we will run a process of selection comparing contract types, destinations and other criteria, to ensure we mitigate risk and maximise our value. I am sure UKEF will do the same but in the countries we operate in UKEF have always been fully supportive.
10. Environmental and Social Teams are clearly fully occupied and this field of activity is obviously becoming busier. More resource may be required to continue the support necessary to keep within contract tendering deadlines.

***Are UKEF's performance targets suitable? Is UKEF's current financial allocation from HM Treasury and risk appetite appropriate to allow it to meet these targets?***

11. With BREXIT, it is clear that UK Plc need to up their game to offset any loss of trade in Europe. It seems obvious that UKEF and other Government Agencies will require much larger budgets to offset economical BREXIT fallout, especially over the next 5 years.
12. Following the Covid pandemic and attendant financial support needed across the world the appetite from the banking industry to finance essential infrastructure projects is likely to be significantly reduced. As a consequence the needs of ECA backed finance are likely to increase rather than decrease over the coming years. UKEF should be at the vanguard and therefore we believe its performance targets around spend should be even greater than in previous years not less.
13. Investors of SME's will take more risks, simply due to the growth cycle of evolving businesses. UK Government should also be prepared to share some of this risk too. It is emerging companies that will fuel the economy and the social requirements of the UK going forward and too many are smothered out due to the lack of economical support. Other Governments seem to be ahead of the UK with this concept. It would be most helpful if UKEF regulations would recognise this to enable SME's more success overseas.

***How can UKEF continue to support economic recovery from the COVID-19 pandemic?***

14. COVID-19, even if a vaccine was available today will have a traumatic effect on the UK economy. Indeed the same can be said for the rest of the World. The more successful companies and nations will recover more quickly and achieve long term sustainability by strategic global investment. UKEF are vital in this role but they must have the budget, ability and ambition to act quickly and decisively. The largest overall growth will be through globally positioned and established SME's. Not only will this bring UK economic stability more quickly, it will create new global skills embedded in the UK which will attract overseas investment into UK trades that they see as "World Leading".
15. The UK has a solid reliable Water industry that is regularly funded, delivers world beating water infrastructure and provides a solid reference base for UK's water exporters. However due to the UK markets maturity its scope for overall growth is marginal. This restricted business environment stimulates technology companies such as Bluewater Bio to export in order to grow. Unfortunately, the UKs water exporters are not as well served with governmental support overseas as our Dutch, German and French competitors. What UK Exporters do have however, is a world class ECA with evidently increased appetite for overseas exports and territories.
16. Water Infrastructure projects evolve growth in many adjacent industries from mechanical and electrical manufacturing, consultancy, construction technology to Intellectual property and Patent development. It is desirable that as much of this growth comes from the UK as possible and linking long tenor, low interest low risk funding to a certain level of UK content is a productive use of UK balance sheet to aid growth and recovery.

**ENGAGEMENT**

***How user-friendly are UKEF products for its range of customers, including small and medium enterprises? How well does UKEF communicate its offering to new and existing customers?***

17. It cannot be expected of small enterprises to navigate the complexities of ECA finance deals and they will require, not only guidance, but a working environment where both parties can play to their strengths. Over the period of us working with UKEF, we have seen major improvements along these lines.
18. Overall the UKEF products are well communicated and UKFEF appear to be mobilising more personnel from a range of finance, banking and exporter backgrounds to promote its services. As a consequence, we are seeing greater networking from DIT/UKEF in our overseas territories interacting with the potential borrowers and these same individuals are promoting these opportunities back to UK exporters.

***How does UKEF engage with DIT, the British Business Bank and private sector partners to ensure the requirements of businesses exporting overseas are met?***

19. DIT individuals in overseas territories are well versed in the UKEF offering and able to communicate it. The liaison between UKEF and lending banks in the private sector appears to be consistent and even handed. Certain banks have greater appetite and familiarity with certain territories and borrowers and from our experience UKEF seem to navigate this well in a helpful manner to the exporter.

***To what extent does UKEF draw on external expertise and knowledge in the design and review of its products?***

20. As an exporter we have found UKEF to be open to constructive suggestion around loan tenors, exchange rate risk, difficulties regarding the durations for assessment and underwriting and on the whole pragmatic and easy to deal with. Importantly for us, especially in the Middle East there does appear to be an appetite for lines of credit for certain sub sovereign borrowers that will help stimulate much needed infrastructure development in their countries to the benefit of UK Plc.
21. Individuals in UKEF have a good network of experts who provide value to the process. They have good relationships with many banks and other institutions.

***What could UKEF learn from other successful export credit agencies around the world?***

22. Issuance of letters of support could be speeded up. They make no commitment to provide financing but are a useful tool to the exporter and help to illustrate if funding might be available and the therefore whether the project is feasible for the Borrower. Anecdotal evidence suggests that these may be more forthcoming from other ECAs.
23. Provision of Foreign exchange rate cover between tender and award. Currently FX rates and their volatility force SME's to add risk money into their bids. We understand that some other ECAs / national governments are looking at providing this cover for their exporters.
24. Unless Direct lending is available UK exporters are unable to offer fixed rate financing to their clients for the more readily available bank funded guarantee schemes. This disadvantages UK exporters against those of France, Germany Italy for example where interest make up mechanisms are available to offset this disadvantage.
25. Many overseas contracts require 10% performance bonds for up to 4 years (from contract commencement to end of defects period) this ties up significant cash for long periods that could be better utilised as working capital and or for inward investment. Were UKEF able to offer exporter guarantees for the bonds banks would likely be able to offer these without needing them to be cash backed.
26. UKEF's interpretation of the local content rules outlined by OECD disadvantages UK exporters. Some ECAs add the 30% local content to the 85% financed amount rather than it being included in the 85% which is UKEF interpretation. Legislation in places like South Africa require a certain amount of minimum local content. The next effect is to minimise the proportion of the contract value that can be met with UKEF backed loan.
27. ESIA reports are seen by UKEF as a pre-requisite to the underwriting process. In our experience they are rigid and time consuming and require the exporter to invest in significant outlay prior to even getting underwriting approval. This process disincentivises exporters to advocate a UKEF approach to their clients.
28. There is a general feeling among UK exporters that UKEF have less flexible rules, with an "over thoroughness" of assessment and this adversely prolongs the process. The long durations needed to expedite a UKEF backed loan mean that opportunities to exporters arising from conventional tender processes are out of reach of UKEF support. This then requires the exporter to obtain 'negotiated contracts subject to finance' which takes significant periods of time and exposes the exporter to time and cost risk upfront.