

INTERNATIONAL TRADE COMMITTEE INQUIRY: UK EXPORT FINANCE

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A. EXECUTIVE SUMMARY

1. UK Export Finance (UKEF) is the United Kingdom's export credit agency (ECA), and its mission is to ensure that no viable UK export fails for lack of finance or insurance, while operating at no net cost to the taxpayer. It is the oldest ECA in the world, and has been delivering that mission for over one hundred years.
2. UKEF provides UK companies with finance and insurance to help them win, fulfil and get paid for international business where gaps arise in private sector provision. UKEF continually reviews and develops its range of financial support products, reacting to the needs of the market, changes in the economy and government priorities.
3. UKEF has been, and continues to be, agile and flexible in its approach to helping UK exporters and suppliers realise new opportunities overseas, ensuring they can compete successfully for international business against exporters from other countries (sometimes supported by their own ECAs).
4. The British Exporters Association's (BExA) external benchmarking shows that UKEF's offering is comprehensive. 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.
5. UKEF has recently introduced general working capital support, launching its Export Development Guarantee aimed at large businesses. It will shortly augment this with the General Export Facility, extending similar general working capital support to small and medium sized enterprises (SMEs).
6. UKEF is open to requests for support across all sectors, subject to government policy, and to the whole of the United Kingdom, the Isle of Man and the Channel Islands. In 2019/20, it directly supported 339 businesses of whom 77% were SMEs, and 88% were based outside London. It is demand-led through direct engagement with business, banks, business organisations and other stakeholders, alongside its domestic and international business development teams' activities, working alongside the Department for International Trade (DIT) and other UK Government colleagues, to support UK businesses.
7. While UKEF is demand-led, it is not passive about applications. It has employed its origination and marketing functions to promote its offer to particular sectors and markets in order to facilitate export activity in those sectors and markets (e.g. clean growth, renewable energy).
8. UKEF responded quickly to the Covid-19 crisis, working with HMT in developing a Temporary Covid Risk Framework (TCRF) which has enabled it to continue providing support to UK exporters and suppliers over the pandemic crisis period based on their pre-crisis credit ratings. In addition, UKEF has been involved in listening to the needs of business and working with DIT's sector teams in developing sectoral "bounce-back plans". It will continue to proactively work with others across government as these plans expand and develop.
9. UKEF is looking forward to contributing further to the Committee's inquiry and seeing the recommendations and conclusions it draws.

B. INTRODUCTION

10. UK Export Finance welcomes the opportunity to submit evidence to the International Trade Committee's inquiry.

UKEF's Legal Status and Statutory Powers

11. UK Export Finance (UKEF), the operating name of the Export Credits Guarantee Department, is the export credit agency (ECA) for the whole of the UK, Isle of Man and the Channel Islands. Established in 1919, it is the world's oldest ECA. Most developed, and many developing, countries now have an ECA. ECAs can be critical in making exports happen¹. In 2019/20 UKEF directly supported 339 UK companies, and indirectly benefited thousands of smaller UK businesses in supply chains². Without UKEF many of these UK companies would not have been able to proceed with their exports or supplies and these contracts would have gone to suppliers from other nations. The support that UKEF provides, including through its innovative Supplier Fair model which introduces international buyers to UK suppliers, can also help to generate exporting supply relationships for UK companies which progress beyond the initial transaction. In that way, UKEF can help to promote the 'exporting habit' and facilitate ongoing exports including those which it does not support directly.
12. UKEF reports to the Secretary of State for International Trade and is strategically and operationally aligned with the Department for International Trade (DIT). UKEF has, however, been a separate government department since its establishment under an Act of Parliament in 1919. UKEF has its own departmental budget and is expected to live within its Spending Review settlement. UKEF's CEO is the Principal Accounting Officer for UK Export Finance.
13. UKEF is an income-generating government department. By charging a risk-based premium for the support it offers, UKEF covers both its operating costs and calculated losses it may suffer on its portfolio. UKEF is, therefore, a self-financing department and has consistently been a positive net contributor to HM Treasury – exceeding its Financial Objectives under the terms of its HMT Consent to operate at no net cost to taxpayers
14. UKEF's powers to support UK exports and overseas investments derive from the Export and Investment Guarantees Act 1991 (EIGA)³. UKEF undertakes its role by providing insurance, guarantees and, in some cases, loans. All of these financial products directly or indirectly support UK exports. UKEF does not "invest" (i.e. by purchasing equity) in companies or projects either in the UK or abroad.
15. Under the EIGA, UKEF may only exercise its powers with the consent of HM Treasury (HMT). Under this consent, UKEF has a total capacity to support UK exports of £50 billion, which is made available to support businesses of all sizes and in all sectors, taking into account wider government policy. At present, UKEF's liabilities under these insurances, guarantees and loans are predominantly contingent, and amount to around £32 billion. Under the EIGA, claims, calls or losses on UKEF's commercial arrangements are met from funds voted by Parliament or charged on the Consolidated Fund.

¹ ETLA Brief No 72, 'Impacts of the Largest Export Guaranteed Operations in Finland', September 2018, p3. <https://pub.etla.fi/ETLA-Muistio-Brief-72.pdf>

² UK Export Finance Annual Report and Accounts 2019-20, p46.

³ Export and Investment Guarantees Act 1991. <https://www.legislation.gov.uk/ukpga/1991/67/contents>

Written evidence from UK Export Finance (UEF0033)

16. HMT's consent includes the requirement for UKEF to apply minimum credit risk standards. HMT has also set financial objectives for UKEF including requirements to price its support so as to provide for the risk of future losses and recover its costs. These controls reflect UKEF's requirement to operate at no net cost to the taxpayer, which it achieves by charging premiums for the support it provides (described in more detail below). This also reflects the requirement in the WTO Agreement on Subsidies and Countervailing Measures that governments don't provide export credit guarantee or insurance programmes at premium rates which are inadequate to cover the long-term operating costs and losses of the programmes. UKEF also rules out the possibility of any subsidy in products by operating within the EU state aid rules where relevant.
17. UKEF operates under international (principally OECD) agreements designed to create a 'level playing-field' by setting terms under which national export credit agencies can support their exports. However, not all ECAs are party to these international agreements and competition for UK exporters is increasingly from non-OECD countries whose ECAs are not bound by these agreements.
18. In fulfilling its role, UKEF complements the private market but does not compete with it. UKEF fills gaps in the provision of finance and insurance by the private sector. In particular, it becomes involved in transactions where there are risks which the commercial market will not accept without ECA support (for example, risks deriving from the duration of the financing period, commercial market capacity, the jurisdiction in which the relevant project is to be performed and/or credit quality of the recipient of the finance).
19. Accordingly, as UKEF's provision of support is demand driven, the volume and proportion of UKEF's support for UK exports in specific sectors to some extent reflects prevailing private sector liquidity and risk appetite. Where support is available from a commercial bank or an insurer, UKEF does not seek to displace this.

Fossil fuels

20. The Government keeps its support for the fossil fuels industry under review to ensure the UK reaches its net zero target by 2050.
21. UKEF's support is provided where buyers have chosen to procure from the UK supply chain and are seeking financing support, or where UK businesses involved in exporting are seeking working capital, bond support or insurance.

Climate Change

22. UKEF takes climate change into account in its decision making in an appropriate manner, and continues to review and develop its approach in this regard. It also continues to develop the breadth of its support for clean growth and climate resilience sectors proactively. The 2020 Budget increased UKEF's direct lending⁴ capacity by providing a new £2 billion lending facility for projects supporting clean growth. UKEF's marketing and origination activities focus on these areas, to develop the UK's industrial capacity and increase the proportion of business supported in these sectors.

⁴ Under the Direct Lending Facility, UK Export Finance (UKEF) provides loans within an overall limit of £8 billion to overseas buyers, allowing them to finance the purchase of capital goods and/or services from UK exporters. The funding provided is at a fixed rate of interest, based on the applicable Commercial Interest Reference Rate (CIRR) set by the OECD, or the cost of UK Government funds (National Loans Fund rates) if higher.

23. For example, in November 2019, UKEF announced £230m in support for a large-scale windfarm off the Taiwanese coast, UKEF's first major involvement in an offshore wind project, and one that will contribute significantly to Taiwan's target of generating 20% of its power from renewable sources by 2025. UKEF has since further agreed support of approximately £77.3 million for the Changfang and Xidao windfarm project off the west coast of Taiwan.
24. Also in 2019, UKEF guaranteed £47.6 million financing to build two of the largest solar plants in Spain. Together, these developments will generate enough energy to power more than 250,000 homes each year. UKEF recently provided £27m of support to a solar powered water purification project in Ghana and has several other renewables projects at an advanced stage in its business pipeline. In addition, UKEF was ranked third in TXF's league table of sustainable deals supported by ECAs in 2019.⁵
25. Under its commitment in the Green Finance Strategy, UKEF is further strengthening its robust capabilities in risk assessment. It will make climate related financial disclosures in line with the Task Force on Climate-related Financial Disclosures' recommendations, as soon as practicable following the close of the 2020/21 financial year.

UKEF and environmental, social and human rights (ESHR) compliance

26. UKEF is committed to high standards of environmental, social and human rights (ESHR) risk management. It follows the OECD Common Approaches⁶ and the Equator Principles, which set frameworks for ECAs and International Financial Institutions in managing such risks. UKEF is in the process of reviewing and updating its approach to environmental, social and human rights.
27. Through its dedicated team of professionals, UKEF actively examines ESHR risks and potential impacts of projects it is asked to support and monitors the ESHR performance of projects supported for the duration of its exposure, all in line with its published ESHR policy.
28. UKEF also collaborates with other ECAs and financial institutions regarding ESHR matters, to establish a 'level playing field' for ESHR risk management across these institutions, meaning the pursuit of consistent and diligent application of the relevant standards and requirements.
29. In June 2018, UKEF was appointed to the Steering Committee of the Equator Principles. The Equator Principles, which UKEF adopted in March 2016, are a voluntary environmental and social risk management framework for ESHR due diligence and monitoring to support responsible risk decision-making. They are followed by 110 international financial institutions, including seven ECAs. They represent the benchmark for best practice in ESHR matters for the international finance industry.

Anti-bribery and Corruption

30. UKEF is committed to deterring bribery and corruption, and safeguarding taxpayer funds by taking reasonable precautions to avoid loss through becoming involved in export transactions tainted by financial crime (including bribery, sanctions, fraud etc). UKEF rigorously applies the procedures outlined in the OECD Recommendation on Bribery and Officially Supported Export Credits, as well as in UK legislation (including the Bribery Act), conducting anti-bribery due diligence before providing support.

⁵ Sustainable deals export finance, TXF, 2019, p7

⁶ OECD Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence

31. UKEF is not a law enforcement agency and has no statutory investigatory powers. However, it does have a dedicated compliance function that assesses financial crime risk, and refers cases of suspicious activity to law enforcement agencies and co-operates fully with Serious Fraud Office (SFO) investigations.

Leading with Finance

32. UKEF's 'Leading with Finance' ('LwF') initiative focusses on international engagement and awareness raising. This global outreach programme, which UKEF pioneered amongst its ECA peers, identifies major projects, via the UK Government's overseas network together with UKEF's growing network of regionally based, country heads, with opportunities for significant supply from the UK, and uses UKEF's attractive finance offer to incentivise overseas buyers/sponsors to procure from UK companies. This initiative makes use of the UK Government overseas network to promote UKEF's offer.
33. The LwF approach is manifest in the supplier fairs that UKEF has sourced, co-ordinated and hosted to-date (matching demand overseas with UK supply) connecting over 1,500 UK SMEs with global opportunities worth hundreds of millions of pounds in sectors as diverse as healthcare, construction and energy. The supplier fairs are a component part of UKEF's LwF approach and are highly-valued by internationally based clients with little visibility on what can be procured from the UK together with the SME and MSB supply chain communities.
34. UKEF has strategically deployed a network of regionally-based country heads to promote its overseas activity. In partnership with DIT and the Foreign and Commonwealth Office⁷, 11 regions have been successfully covered to date (Brazil, China, Colombia, Ghana, India, Indonesia, Kenya, Mexico, Turkey, South Africa and the UAE) with additional country heads to be added during 2020/21, enhancing its marketing and communications offer both overseas and domestically.

UKEF support for developing countries

35. As noted in its recent business plan, UKEF provides support and commercial financing, as relevant, in markets and sectors where there are also demonstrable developmental and prosperity benefits. During 2019/20 and the current financial year, UKEF's Direct Lending Facility has supported projects across Africa, including in Angola, Benin, Cameroon, Cote D'Ivoire, Gabon, Ghana and Zambia, on projects such as agriculture support, hospital construction, and vital infrastructure development. Further details are shown in **Annex C**.

⁷ Now the Foreign, Commonwealth and Development Office

C. OPERATIONAL

a. HOW COMPREHENSIVE IS UKEF'S PRODUCT OFFERING – AND HOW ATTRACTIVE ARE PARTICULAR PRODUCTS WHEN COMPARED WITH PRIVATE SECTOR OPTIONS?

36. UKEF's mission to ensure that no viable UK export fails from lack of finance or insurance from the private sector, while operating at no net cost to the taxpayer. Through its range of products and support, UKEF helps UK exporters across the three key stages of successful exporting:

- a. winning contracts (by helping to arrange attractive financing terms for overseas buyers of UK goods and services, making their offering more competitive);
- b. fulfilling orders (helping UK companies access the working capital they need to fulfil a contract, and giving them the confidence to take on more contracts and increase their turnover); and
- c. receiving payment (ensuring that they get paid even where the private market is not able to offer insurance)

37. To deliver this, UKEF continually reviews and develops its range of financial support products, reacting to the needs of the market. A full list of products is available here: <https://www.gov.uk/government/collections/our-products>. UKEF also works in close association with a number of banks and financial institutions to develop and operationalise its products.

38. The British Exporters Association's (BExA) external benchmarking shows that UKEF's offering is comprehensive. This compares favourably with other OECD ECAs. 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.

39. That BExA report⁸ shows the evolution of UKEF's product range since its first 'scorecard', published in 2009. BExA advised that the score would have been 10, but for 'the absence of tender-to-contract foreign exchange risk cover (TTC)' (a product which UKEF's research has not suggested is required by the market).

Table 1: UKEF's product range evolution since the inaugural BExA benchmarking paper.

Products	Short-term Insurance	Export Credit Schemes	Fixed Rate Financing (CIRR)	Foreign Exchange Risk Cover	Direct Lending	Investment Insurance	Bond support Scheme	Unfair Calling Insurance	Letter of Credit Guarantee Scheme	Working Capital Facility	Score (out of 10)	
											UKEF	EU ECA's Average
July 2010	✗	✓	✓	✗	✗	✓	✗	✓	✓	✗	5	7.00
October 2019	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9	7.93

40. UKEF recently introduced its Export Development Guarantee (EDG), enabling general (i.e. non-contract-specific) working capital support for larger companies, and will shortly augment this with the General Export Facility (GEF), extending similar general working capital support to SMEs. This reflected findings of a recent BBB/UKEF survey that finance enabling SMEs' general growth is more beneficial for exports than specific export designed financial products. The EDG/GEF are very flexible guarantees, with banks able to make them meet their own needs and products and appealing to exporters of all sizes.

⁸ <https://bexa.co.uk/BExA/Policy-and-Publications/UKEF-Annual-Benchmarking/BExA/Policy-and-Publications/UKEF-Annual-Benchmarking.aspx> Page 9.

41. Recognising the vital role of UK supply chains, which can extend to thousands of SMEs for companies such as Airbus or Rolls-Royce, UKEF launched its Supply Chain Discounting scheme. This combines beneficial extended cash flow for UK corporate exporters with favourable payment terms for their suppliers. UKEF's buyer finance solutions support large projects worldwide and the expanded range of solutions now includes lower value deals (down to approximately £500K), helping overseas buyers benefit from UKEF support when dealing with UK enterprises of all sizes.

b. HOW SUITABLE IS UKEF'S PROCESS FOR ASSESSING APPLICATIONS FOR SUPPORT?

42. UKEF will approve every application it can, but there will be some that are not approved. UKEF must apply eligibility criteria required under: international frameworks (including the OECD); the terms of HM Treasury's consent; and necessary due diligence referred to above. These requirements can put UKEF and other adherents to OECD Arrangement (and their national exporters) at a competitive disadvantage to non-OECD ECAs. In 2018, China (not governed by OECD rules) gave official export credit support of £39 billion – more than the next three largest ECAs combined, and on terms that varied from minimum OECD pricing rules.
43. UKEF's application process ensures external obligations are met, and appropriately rigorous due diligence procedures are employed to protect public money. At the same time, the process cannot be so onerous as to discourage application or prevent good business being underwritten.
44. In order to streamline the process in particular for SMEs, UKEF introduced a partnership model for some products with five high street banks in 2017. In delegating use of its guarantee to the banks, UKEF has removed any incremental process for an SME beyond that required by its bank. This has materially reduced turnaround times, allowing immediate provision of cover where key criteria are met. The new digital portal through which banks inform UKEF of the guarantees it has initiated allows for easy submission and tracking of applications, with almost 60% now processed automatically and immediately.
45. As a government department in its own right, underpinned by the EIGA, the requirements of "Managing Public Money" are strictly followed. At the same time, UKEF continues to develop as a customer-centric organisation, being responsive to customers' needs, and finding ways to do business within the framework of requirements to which it is subject.

c. DO PARTICULAR SECTORS, TYPES OF PROJECTS, OR PROJECTS INVOLVING CERTAIN EXPORT DESTINATIONS RECEIVE MORE UKEF SUPPORT THAN OTHERS?

46. UKEF is open to approaches for support across all sectors and locations, subject to government policy. In the last five years, the defence, construction, aero and oil sectors have received the largest amount of UKEF support, while Qatar, Oman, Dubai, Brazil and Iraq are the destinations receiving most support. Please see tables at **Annex A** for more details of the top 10 sectors by value of support from 2015/16 – 2019/20; and the top 10 countries supported by maximum liability: 2015/6 – 2019/20.

47. While UKEF is demand-led, it is not passive about applications. It has employed its origination and communications/marketing functions to promote its offer to particular sectors and markets in order to facilitate export activity in those sectors and markets (e.g. renewable energy).
48. This is reflected in the fact that in 2019 UKEF was the third most active ECA globally in sustainable financing. It has collaborated actively with DIT sector teams to promote its renewable offer and brigade the supply chain. In this area, in the 2020 Budget UKEF was given an additional direct lending facility of £2 billion specifically for clean growth projects.

d. 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?

49. A realistic assessment of UKEF's performance should consider its ability to cover its operating costs and credit losses while providing that support, as well as the potential demand for its services to complement but not compete with the private sector.
50. Demand for UKEF support is partially determined by external factors beyond its own control, including the ability of UK firms to win business overseas; regulatory and economic environment internationally; demand for finance and insurance to support UK exports; and the ability of commercial credit insurers and finance providers to meet the market's demand for finance and insurance.
51. There are further factors over which UKEF has some control, including UK exporters' awareness of UKEF's ability to help, and the willingness of our commercial partners such as banks and brokers to use and promote our services. UKEF can also set pricing to comply with its objectives, which is reflected in the premium and/or interest it charges. Key to its performance is whether it offers the appropriate product range to fill particular market gaps. UKEF's success measures are detailed in its [Business Plan](#) (also at **Annex B**).
52. UKEF has formal targets and limits set by HM Treasury. These are, rightly, stringent value-for-money tests designed to ensure UKEF fulfils its mandate of supporting UK exporters while ensuring that credit risk and pricing are undertaken on a basis that UKEF should recover the cost of the risks it assumes, and does not expose the taxpayer to excessive risk.
53. UKEF met all the financial metrics set for it by HM Treasury in 2019-20 (as it has consistently done). UKEF aims to at least break even over business cycles. UKEF's total premium income between 2017-20 was £612million⁹. UKEF exceeded its costs by £274 million for this period. UKEF generally makes a return to HM Treasury but could be subject to large outflows of cash if required to pay claims against its guarantees (although it will subsequently seek to recover any claims made and has a positive track record in doing so).
54. There are, however, no formal or fixed financial targets on business levels. This is because UKEF's role is not to grow its market share by displacing commercial providers of loans and insurance, but, rather, to fill market gaps for viable exports.

⁹ UKEF Annual Report and Accounts 2019-20, p30

55. Instead of formal targets UKEF attempts to estimate the size of the market gap and sets internal aspirations accordingly. The aspirational figure of 500 customers to be supported in 2018/19 was an internal estimate based on performance in 2016 but lacked granularity and definition. The corresponding figure of 270 for 2020/21 is the estimate for companies directly using a UKEF product and reflects the fact that, before the onset of COVID-19, feedback from banks and market surveys showed 99% of the needs of UK exporters were being met by the private sector.
56. However, that aspiration to support 270 customers is only part of the story. UKEF is equally keen to increase the number of UK companies in the supply chains for the large projects and exporters it supports. For example, Airbus has around 2,400 suppliers across all parts of the UK, including around 1,150 SMEs, all of whom are supported indirectly by UKEF when support is directly given to the purchaser of an Airbus aircraft. This is, therefore, a different customer segment that UKEF aspires to grow. That segmentation data was lacking in 2016.
57. An example of how UKEF's intervention has had wider ranging impact was the use of its Buyer Credit Facility and Direct Lending Facility. A direct loan and bank guarantee to Ghana's Ministry of Finance helped secure the Kumasi Central Market contract for Contracta Construction UK Ltd. As Fabio Camara, Contracta Construction UK Ltd's Director explained, 'Kumasi is a vital trading hub for the Ashanti region and West Africa's largest market, and this modernisation will have huge benefits for vendors and customers, as well as for our continued international growth and UK supply chain.'
58. UKEF's risk appetite limit, set by HMT, means UKEF must manage credit risk-taking activities such that total losses, as modelled by our portfolio risk management simulation model, will not (with a 99.1% degree of certainty) exceed £5 billion. In other words, at no time should portfolio expected loss, plus provisions against claims already paid, plus portfolio unexpected loss, exceed £5 billion.
59. As at 31 March 2020, the projected portfolio loss to the 99.1%ile was c.£2 billion, still comfortably below HMT's financial objective limit of £5 billion. This shows that UKEF is well within the limits set out by HMT. Furthermore, UKEF considers HM Treasury's allocation of risk appetite appropriate in the context of its business ambition and forecasts over the next few years.
60. UKEF also has limits for the total amount of risk exposure that it can take on. Up to £31.7 billion of the £50 billion limit was consumed in FY2019/20, but business volumes in recent years have grown significantly – in FY2015/16 exposure reached a maximum of £21.4 billion.

e. HOW CAN UKEF CONTINUE TO SUPPORT ECONOMIC RECOVERY FROM THE COVID-19 PANDEMIC?

61. One consequence of Covid-19 has been that private financial providers are less likely to extend support to businesses or projects, despite their underlying profitability. UKEF's role is vital to ensuring that credit continues to flow, allowing UK exporters to continue exporting.
62. During the Covid-19 crisis the Government established a temporary £10 billion risk framework (UKEF Temporary Covid-19 Risk Framework) to allow UKEF to continue to provide financial support to UK exporters whose ratings have been impacted by Covid-19. This framework sits

Written evidence from UK Export Finance (UEF0033)

alongside UKEF's existing offer to exporters and has allowed UKEF to provide over £2.3 billion of additional support so far, supporting over 100,000 jobs.

63. Further to this, UKEF took advantage of the EU's relaxation of previous restrictions to expand the scope of its credit insurance product - Export Insurance Policy (EXIP). This now covers transactions with the EU, Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland and the USA, and UKEF's insurance, which can cover up to 95% of the value of an export contract is now available in more than 180 countries. EXIP cover protects against the risk of non-payment should UK exporters' customers become insolvent or their government actions make fulfilling the contract impossible. Further intervention in the credit insurance market was not necessary due to the introduction of the Trade Credit Reinsurance scheme by BEIS, where UKEF has been involved in the development and implementation.
64. As mentioned above, UKEF has expanded its working capital products, launching the EDG in July 2020, and will shortly add the GEF to its product portfolio, extending similar general working capital support to SMEs. The EDG enables UKEF to provide support a wider range of companies than currently. For example, UKEF has seen several positive enquiries from the automotive sector, a sector that had previously underutilised UKEF support, but for which UKEF has seen requests for support in terms of the development of electric / hybrid vehicles and engine efficiency.
65. In addition, UKEF has been involved in listening to the needs of business and working with DIT's sector teams in developing sectoral "bounce-back plans". It will continue to proactively work with others across government as these plans expand and develop. These plans cover a wide range of sectors that have been affected by the Covid-19 pandemic including agricultural and food, technology, education, the creative industries, retail and consumer goods, defence and professional financial services.

D. ENGAGEMENT

a. HOW USER-FRIENDLY ARE UKEF PRODUCTS FOR ITS RANGE OF CUSTOMERS, INCLUDING SMALL AND MEDIUM ENTERPRISES?

66. As part of its continuing aim to make its products as accessible as possible, UKEF has simplified many of its processes, although the nature of export finance products and services means that some complexity is unavoidable. UKEF balances the need for ease of customer use with the need to protect the taxpayer, and continually refines its processes to achieve the right balance.

67. UKEF's bank delegation model, introduced in 2017, enabled greater accessibility for the SME segment. This has been further simplified by the streamlined eligibility criteria introduced earlier this year. UKEF is working to simplify the process for EXIPs (credit insurance) applications, reflecting its continuing focus on improving user-friendliness for SMEs.

68. Introduction of the EDG product (and, the forthcoming launch of the GEF product) have given an opportunity to broaden the scope of UKEF's offer from export transactions to exporting businesses in general, which will significantly expand the flexibility of application by our banking partners.

b. HOW WELL DOES UKEF COMMUNICATE ITS OFFERING TO NEW AND EXISTING CUSTOMERS?

69. UKEF's marketing and communications team was restructured in 2018 to more closely align it with UKEF's business development processes and to boost awareness of UKEF, adding greater experience of business-to-business marketing. With the intervention of the then Secretary of State, UKEF's marketing budget was increased to address a previous lack of such budget, resulting in UKEF often being referred to as "the best kept secret in government". As a result, awareness of UKEF within its target audience has increased from 20% in 2016, to 26% in 2019 and to 31% in 2020. It has increased lead generation by 200%.

70. UKEF developed a differentiated and proven campaign proposition - THE EXPORTERS' EDGE – which invites UK businesses to follow others that have succeeded internationally by using UKEF to win contracts, fulfil orders and get paid. This proposition is being refreshed, to emphasise how UKEF expertise continues to unlock international business.

71. As mentioned above, UKEF has run an extremely well-received supplier fair programme, which last year introduced over 500 UK SMEs to major project opportunities seeking UK suppliers in order to access UKEF financing.

72. UKEF has a network of 24 Export Finance Managers (EFMs) around the country (in all four nations of the UK), available to support UK businesses through the application process, ensuring tailored guidance, customer service and ongoing interface with the core business teams. UKEF aims to ensure its support is as accessible as possible to its potential clients and to ensure that engagement with UKEF creates a positive experience.

c. HOW DOES UKEF ENGAGE WITH DIT, THE BRITISH BUSINESS BANK AND PRIVATE SECTOR PARTNERS TO ENSURE THE REQUIREMENTS OF BUSINESSES EXPORTING OVERSEAS ARE MET?

73. UKEF is strategically and operationally aligned with DIT, and the two departments share both a Secretary and Minister of State. They act as integral partners across the UK, sectors and in overseas posts. As a consequence, UKEF's relationship with DIT continues to develop strongly at an operational level through the positive links it has built between the DIT International Trade Advisors (ITAs) and EFM networks and regular management coordination meetings. Close working relationships ensure that a formal referral process exists between the teams. DIT and UKEF communication campaigns are designed to be complementary, with DIT encouraging a very broad range of UK companies to start exporting, or to export more, by showing the advantages of doing so. UKEF focuses on active exporters, helping them access the finance and insurance needed to win business, fulfil orders and get paid. UKEF shares an online platform in GREAT.gov.uk.
74. UKEF has sponsored export finance training programs and templated models to introduce the finance agenda with businesses as part of DIT trade promotion activities. In 2017 it launched the Award in Trade Finance course in association with the Institute of Export and International Trade. This course is designed to equip DIT colleagues in customer-facing roles to have meaningful conversations with UK exporters and overseas buyers about export finance provisions in general, and UKEF's suite of export finance support products in particular.
75. UKEF has 11 Country Heads in key markets around the world¹⁰, and plans to increase the number to 20 by the end of the financial year. This supports the objective of 'leading with finance' – using the convening power of financing to brigade a compelling 'made in UK' offer - as part of UKEF's international origination function. Country Heads also liaise closely with DIT sector teams to ensure close collaboration on strategic priorities.
76. UKEF continues to develop its relationship with BBB, focusing on the synergies between their respective operations. Both parties routinely liaise on the development of products and the application process. This cooperation recently yielded shared market research between UKEF, DIT and BBB into SME export finance which enabled the establishment of a shared market view. UKEF has also worked with the BBB on shared content, for example on the Business Finance Guide providing content on export/trade finance. In addition, UKEF works in close partnership with UK banks on PR, case studies, events and promotional activities, such as on the launch of the delegated model in 2017.

d. TO WHAT EXTENT DOES UKEF DRAW ON EXTERNAL EXPERTISE AND KNOWLEDGE IN THE DESIGN AND REVIEW OF ITS PRODUCTS?

77. External input from business and banks is a key element in how UKEF approaches product design, with commitments in its Business Plan to be customer centric and adaptable in its approach.
78. UKEF continually engages with external parties on transactions, providing flexible and innovative solutions within the broad parameters of the available products to meet the needs

¹⁰ West Africa, Indonesia, UAE x2, Mexico, Turkey, India, Brazil, Colombia, China, Kenya (a Country Head has been appointed in South Africa and they are due to take up this position on 1 October)

of exporter, banks and/or overseas buyers. The Export Development Guarantee is a good example of this. UKEF did not have a product that fitted Jaguar Land Rover's needs as a large exporter with significant working capital and capex needs to develop its business, so EDG was developed in 2019 on a pilot basis, based on the thinking already done around the General Export Facility. Where more generally relevant, approaches taken on transactions are recorded through a formal precedent capture process to feed back into product improvements.

79. When designing new products, UKEF actively seeks input from customers (both exporters/borrowers and financial institutions). When designing guarantee products, UKEF engages UK Finance¹¹ who have created specific working groups to support it. Product parameters are shared and feedback is incorporated into subsequent product design before formal legal documentation takes place. UKEF's two most recent product launches - for the Export Development Guarantee (EDG) and Supply Chain Discount Guarantee (SCD) - were delivered initially as pilots in collaboration with an exporter and a bank, with subsequent refinements based on that experience and information from partners with regards to subsequent opportunities.
80. UKEF undertakes periodic reviews of existing products and, as part of this process, consults relevant external stakeholders (typically exporters, banks, brokers, other export credit agencies etc). The views of these stakeholders are important in determining the final recommendations of these reviews as UKEF looks continuously to improve its offering. UKEF also trialled an Exporter Engagement Programme in 2018, where 26 exporters were interviewed about their experience of using UKEF products. The outputs of these interviews were fed into the formal product reviews and relevant actions identified.
81. UKEF has a process in place to gather product specific feedback from exporters via the network of regional representatives (EFMs). These regional representatives also sit on UKEF's product development advisory group so can provide their feedback directly to the team designing and improving the products. UKEF's non-executive Board members, feedback from trade associations and via its international staff on the views and needs of overseas buyers, and information on the products and developments at other ECAs also input into the process. UKEF uses, where appropriate, external law firms to assist with preparation of documents, drawing on their professional expertise and experience to complete transactions and advise on specialist areas of law.
82. In addition, UKEF has a stakeholder engagement programme where feedback is gathered from priority organisations (exporters, banks, trade associations). These interactions cover a range of strategic topics of which product development is a fundamental part.

e. WHAT COULD UKEF LEARN FROM OTHER SUCCESSFUL EXPORT CREDIT AGENCIES AROUND THE WORLD?

83. UKEF recognises that it will always have more to learn from other ECAs and financial institutions, however, the fact that Global Trade Review (GTR), the industry publication, has named UKEF the best ECA for each of the last 3 years (2018-2020) gives UKEF confidence that it is doing a good job, though appreciating there is always room for improvement. It's worth noting that some ECAs combine the functions of several UK Government institutions into one.

¹¹ UK Finance is a trade association for the UK banking and financial services sector. It represents around 300 firms in the UK providing credit, banking, markets and payment-related services.

Written evidence from UK Export Finance (UEF0033)

For example, Export Development Canada is a combination of UKEF, CDC Group (formerly known as the Commonwealth Development Corporation) and the BBB.

84. UKEF and other OECD ECAs operate with high levels of transparency and frequently exchange information about each other's products and cover policies. The OECD agreements on export credits also require ECAs to share certain detailed information on the transactions they support, both before and after underwriting. UKEF can do co-financing with other ECAs and also has co-operation/reinsurance agreements with all major ECAs.
85. UKEF is a member of the Berne Union (BU) the trade association of both official export credit agencies and private sector providers of trade credit insurance. The BU holds regular meetings which discuss various aspects of ECA business including specialist events where ECAs exchange experience on matters such as Claims and Recoveries
86. UKEF operates within the scope of international agreements that apply to export credit agencies. In respect of medium to long term financing of exports UKEF is highly competitive, offering a 100% guarantee¹² to banks compared to the standard 95% insurance cover provided by most EU based ECAs. The introduction of a Direct Lending capacity was an important development which gave UKEF a competitive edge against those ECAs which only offer insurance or guarantees.
87. There are, however, other OECD countries which offer concessional financing products which UKEF cannot (currently) compete with, including Tied and Untied Aid. A 'blended finance' capability, for concessional and non-concessional financing, could be a useful additional tool.
88. The OECD has also developed guidelines on the due diligence ECAs must undertake before supporting a transaction. As a result, there are common standards in respect of anti-bribery measures and environmental and social due diligence. There are also restrictions on ECAs operating in countries at high risk of debt distress, based on IMF/World Bank policies, where only concessional finance is allowed. UKEF is currently unable to provide support due to lack of a concessional financing option (as mentioned above).
89. UKEF looks forward to contributing further to the Committee's inquiry and seeing the recommendations and conclusions it draws.

¹² The maximum amount that can be made available under the Buyer Credit facility is 85% of the contract value. This is in line with the OECD arrangement, which sets out rules on maximum official support (including on issues such as local content). Changes to the arrangement are by consensus of the participants.

ANNEX A1: Top 10 sectors¹³ by value of UKEF support: 2015/16 – 2019/20

Ranking	FY15/16	FY16/17	FY17/18	FY18/19	FY19/20
1	ENERGY (OIL)	DEFENCE: CATEGORY A (SHARP ARMS)	CONSTRUCTION	DEFENCE: CATEGORY A (SHARP ARMS)	CONSTRUCTION
2	CONSTRUCTION	ENERGY (OIL)	AERO	ENERGY (OIL)	AERO
3	AERO	ENERGY (GAS)	DEFENCE: CATEGORY A (SHARP ARMS)	POWER	MISCELLANEOUS
4	MINING & METALS	PETROCHEMICALS	POWER	CONSTRUCTION	PETROCHEMICALS
5	ENERGY (GAS)	MISCELLANEOUS	TRANSPORT	AERO	RENEWABLE ENERGY
6	PROCESS PLANT & EQUIPMENT	MINING & METALS	MISCELLANEOUS	SATELLITES	ENERGY (OIL)
7	PETROCHEMICALS	WATER	AGRICULTURE, HORTICULTURE & FISHERIES	MISCELLANEOUS	POWER
8	CIVIL: MISCELLANEOUS	CIVIL: RENEWABLE ENERGY	DEFENCE: CATEGORY B (NON SHARP ARMS)	CIVIL: MEDICAL/SCIENTIFIC EQUIPMENT	AGRICULTURE, HORTICULTURE & FISHERIES
9	CIVIL: POWER	CIVIL: PROCESS PLANT & EQUIPMENT	CIVIL: PROCESS PLANT & EQUIPMENT	CIVIL: PROCESS PLANT & EQUIPMENT	CIVIL: ENERGY (GAS)
10	CIVIL: TRANSPORT	CIVIL: TRANSPORT	CIVIL: EDUCATION & TRAINING	DEFENCE: CATEGORY B (NON SHARP ARMS)	CIVIL: MINING & METALS

**Please note that these rankings can be skewed by one or two large deals*

ANNEX A2: Top 10 countries by maximum liability: 2015/6 – 2019/20

Ranking	FY15/16	FY16/17	FY17/18	FY18/19	FY19/20
1	Dubai	Oman	Dubai	Qatar	Dubai
2	Brazil	Ghana	Norway	Iraq	Oman
3	India	Brazil	Ireland	Oman	Bahrain
4	Turkey	India	Uganda	Angola	Taiwan
5	China	Venezuela	Iraq	Turkey	Zambia
6	Russian Federation	Saudi Arabia	Indonesia	Dubai	Ghana
7	Korea, Republic of	Iraq	Poland	Brazil	Israel
8	Tunisia	Russian Federation	United Arab Emirates	Kuwait	Angola
9	United States	Netherlands	Ghana	Ghana	Brazil
10	Abu Dhabi	United States	Mexico	Israel	Malaysia

**Please note that these rankings can be skewed by one or two large deals*

¹³ Sectors as defined by ONS Standard Industrial Classification

ANNEX B: UKEF success measures (Business Plan 2020-2024)

How we'll measure our success

We will measure our impact using the key performance indicators set out below:

Objectives

1.

Provide export finance, insurance and guidance to help UK companies sell overseas, supporting delivery of the government's Export Strategy

Value of business underwritten

Number of companies supported, either as direct applicants for support, as suppliers to a project supported, or through a successful referral to a private sector provider

2.

Continuously adapt and focus our activity on sectors and countries where UKEF support will have the greatest economic benefit for exporters and suppliers of all sizes and across all of the UK

Growth of pipeline in priority markets through overseas network

Breadth of sectors and destination countries

3.

Improve awareness and understanding among UK companies, international buyers, prime contractors, sponsors, banks and insurers about export finance and insurance support available from UKEF and the private sector

Target audience awareness

Leads generated

4.

Ensure we retain the confidence of our ministers by rigorously managing risk, improving efficiency and operating within the consent of HM Treasury

Meeting financial objectives

Not exceeding our risk appetite across our enterprise risks

5.

Be a great place to work, engaging and developing our staff to deliver better for our customers, in line with the vision for a "Brilliant Civil Service"

Staff engagement scores

Staff turnover and vacancy levels

Workforce diversity across protected characteristics

6.

Be a customer-centric organisation, delivering high-quality services to the businesses and organisations we support

Implementation of Target Operating Model roadmap and transformation plan

Customer satisfaction levels

7.

Be agile and adaptable, responding to emerging economic developments and market gaps

Representation in international fora

Delivery for cross-government strategies

Product comparison scores

ANNEX C – UKEF Direct lending support for projects during 2019/20 and 2020/21

FY	Business Slice	DESTINATION COUNTRY	Sector Name	Exporter Name	Deal Name	Guarantee Issue Date	Maximum Liability £
FY19/20	Effective	Angola	CIVIL: AGRICULTURE, HORTICULTURE & FISHERIES	INCATUK LIMITED	INCATUK - SAMBA CAJU	01/07/2019	36,501,068
FY19/20	Effective	Gabon	CIVIL: CONSTRUCTION	COLAS (GABON) UK LIMITED	COLAS-LIBREVILLE ROADS	04/06/2019	15,736,128
FY19/20	Effective	Ghana	CIVIL: CONSTRUCTION	CONTRACTA CONSTRUCTION UK LIMITED	CONTRACTA/KATH/GHANA	08/11/2019	34,626,991
FY19/20	Effective	Zambia	CIVIL: CONSTRUCTION	NMS INFRASTRUCTURE LIMITED	NMS/HEALTH CENTERS/ZAMBIA	23/10/2019	280,550,654
FY20/21	Effective	Qatar*	DEFENCE: CATEGORY A (SHARP ARMS)	BAE SYSTEMS (OPERATIONS) LIMITED	BAE SYSTEMS-QATAR	08/04/2020	1,130,554,961
FY20/21	Effective	Benin	CIVIL: CONSTRUCTION	SOGEA SATOM UK LIMITED	SOGEA SATOM/BOHICON/BENIN	30/04/2020	97,315,157
FY20/21	Effective	Uganda	CIVIL: CONSTRUCTION	LAGAN DOTT NAMANVE LIMITED	LAGAN/INDUSTRIAL PARK/UGANDA	04/12/2019	81,423,447
FY20/21	Commitment	Benin	CIVIL: RENEWABLE ENERGY	WINCH ENERGY LIMITED	WINCH /RURAL OFFGRID SOLAR/BENIN		41,126,177
FY20/21	Commitment	Cameroon	CIVIL: CONSTRUCTION	Magil Construction Corporation	Magil/Douala Road/Cameroon		49,023,286
FY20/21	Commitment	Cote D Ivoire	CIVIL: CONSTRUCTION	NMS INFRASTRUCTURE LIMITED	NMS INFRASTRUCTURE / IVORY COAST		63,710,136
FY20/21	Commitment	Ghana	CIVIL: CONSTRUCTION	QGMI UK	QGMI / FLYOVER		30,821,018

Source: UKEF ARA and MI systems

Note:

*The Qatar Defence deal is in account 3