

[National Assembly for Wales](#)

[Enterprise and Business Committee](#)

[Inquiry into the Welsh Government's approach to the promotion of trade and inward investment](#)

Evidence from British Exporters Association – TII 09

NATIONAL ASSEMBLY OF WALES ENTERPRISE AND BUSINESS COMMITTEE – INQUIRY INTO THE WELSH GOVERNMENT’S APPROACH TO THE PROMOTION OF TRADE AND INWARD INVESTMENT

1. The British Exporters Association (BExA) is a membership organisation representing some 80 companies, including a number of companies based in the Principality of Wales. Our membership is drawn from across the exporting community, including capital goods manufacturers (large corporates, MSBs, SMEs and Micro exporters), international traders and their bank, credit insurance and other service providers. BExA takes a particular interest in trade finance and export credit insurance. BExA publishes a number of Guides covering different aspects of exporting, which can be downloaded from the BExA website. The Guides are written by BExA members and are consequently ‘written by exporters for exporters’. The Association is grateful for this opportunity to submit a paper in connection with the National Assembly of Wales Enterprise and Business Committee’s Inquiry into the promotion of trade and inward investment.

2. In this submission BExA focusses on the work of UK Export Finance (UKEF) and UK Trade and Industry (UKTI) in the context of their support to the UK’s exporters. BExA does not possess the necessary subject matter expertise to comment on specific Welsh Government initiatives or approach to supporting Welsh exporters.

3. The National Export Challenge launched in 2011 targets an increase in UK exports from the current level of £450bn per annum to £1trn by 2020, getting an additional 100,000 companies exporting and increasing the ratio of companies exporting from the current 1:5 ratio to 1:4.

4. In order to achieve these ambitious targets, BExA considers that a combination of UK Government support will be required. Such support needs to be focused through UKTI and UKEF.

5. BExA's publication entitled 'UK Export Finance: Supporting the National Export Challenge' dated October 2013 benchmarks UKEF product portfolio and business performance against its Export Credit Agency (ECA) peers. The publication identifies 4 key recommendations for the development of UKEF. [The above-mentioned BExA paper can be seen on: <http://www.bexa.co.uk/docs> and a copy is attached to this submission].

Recommendation 1: UKEF Accessibility

6. BExA believes that UKEF's Application Forms need to be streamlined and simplified. They are currently too long and there is too much duplication. BExA would like to see a standard element to all forms that encapsulates the export contract details required by UKEF, which could be used when applying for any UKEF product. Furthermore the OECD B&C undertakings incorporated into the Application forms are 'gold-plated' – the UK Bribery Act is the most stringent in the world, BExA maintains that a simple statement on the forms referencing the Bribery Act should be more than adequate

Recommendation 2: SME Support and Awareness

7. The introduction of UKEF regional advisers in 12 UKTI regional offices throughout the UK was greatly welcomed by BExA. The work that the regional advisers undertake in not only spreading awareness of UKEF but also providing advice and assistance to SMEs in particular on export risks and methods of mitigating such risks, is invaluable. BExA is encouraged that UKEF is in the process of recruiting a further 12 regional advisers and also locating 3 overseas advisers in key global export markets.

8. BExA has lobbied for UKEF to apply to the EU for small company exemption to allow UKEF to support SME exports to 'marketable risks' and is pleased that HMG has started the assessment and application process. This would allow cover for short term risks to be provided to SMEs – those with an export turnover under Euros 2m per annum – for all destinations rather than, as at present, the non-marketable (broadly non-OECD) only.

Recommendation 3: Competitive Medium Term Support

9. UKEF operates within a competitive OECD Export Credit Agency environment; any lack of competitiveness in UKEF support reduces the competitiveness of the UK's exporters.

UKEF's **Buyer Credit and Supplier Credit** products are in BExA's view generally good and in particular the UKEF UK content rules of 20% of contract price are as wide as any OECD ECA's. The belated launch in September 2013 of UKEF's **Direct Lending Scheme (DLS)** was welcomed by BExA. BExA has 2 principal areas of potential concerns with the DLS. Firstly loan pricing which is established at the Commercial Interest Reference Rate (CIRR) plus 1.5% pa (recognising that there are no loan fees payable) which is not competitive with the likes of USEXIM, who price their direct lending product at CIRR, and secondly whether UKEF has the resources to negotiate and manage loans. The **Export Refinance Facility (ERF)** was announced in July 2012, but it not yet fully launched. The ERF addresses bank liquidity issues and is considered vital in the context of the availability of competitive Government support in winning High Value Opportunity exports. HMG has submitted the ERF scheme to the European Commission directorate covering State Aids prior to formal launch. Assuming there are no EU State Aids issues then BExA's key concern with the ERF is that of price competitiveness. UKEF's **Fixed Rate Export Finance (FREF)**, in the form of the CIRR, was withdrawn by UKEF in 2010. The CIRR rate is the medium term fixed interest rate applied to buyer and supplier credit funding and direct lending products offered by export credit agencies (excluding UKEF). CIRRs are quoted monthly for US\$, Euro and Japanese Yen and are priced on the equivalent Treasury Bond rate plus 1%. Access to CIRR can be vital to an exporter in the bid phase where a fixed rate finance offer is required. Without CIRR, UKEF backed buyer and supplier credits are not competitive with other ECA offerings that include a CIRR rate where the borrower requires a fixed rate facility

Recommendation 4: Quality

10. BExA welcomed UKEF's return to the short term credit insurance market in 2011 through the launch of their Short Term Products. BExA believes that UKEF has an important role to play in complementing the private market including the provision of credit insurance support to exporters in circumstances where cover is not available from the private market.

However in order to properly fulfil this role BExA would like to see improvements to some of the short term products as follows:

- a) **Export Insurance Policy (EXIP)** – EXIP is UKEF’s short term/cash contract insurance policy. The private market offers a similar (but a more clearly written and comprehensive product). In comparison to a private market policy, UKEF’s EXIP falls short on, the quality of cover which needs improving (ie clauses relating to insolvency cover, assignment of cover on the invoice, on a non recourse basis, to allow financing of the invoice by the exporter’s bank, lack clear definition of losses covered, what’s not covered, exporter responsibilities, claims process (far too conditional) and should place an onus on UKEF to pay claims and then work together with the exporter on securing recoveries.
- b) **Bond Insurance Policy (BIP)** – BIP provides insurance against unfair calls on on demand bonds issued in conjunction the export contract, BExA would like to see simplification of the Policy wording in line with the required EXIP changes.
- c) **Export Working Capital (EWP)** – the EWP can only be used for individual export contracts which in many cases is impractical. The product would have greater appeal and take up if were to be offered across the exporter’s business (see item (d), Basis of Coverage, below).
- d) **Letter of Credit Guarantee (LCG)** – There has been no significant take up of the LCG. BExA believes this is because the pricing approach makes the product uncompetitive and expensive.
- e) **Foreign Currency Exchange Scheme** – There has been no take of this scheme and the product appears to have been withdrawn.

General UKEF Issues

11. BExA would also like to see an improvement in the turn-around time for Applications for all Products. The exporter needs to know whether or not UKEF support is available, and the cost and conditions attaching, at the earliest opportunity to support the exporter’s bid and customer timescales. In comparison to other OECD ECAs there are 2 principal products missing from the UKEF portfolio:

- a) **Tender to Contract Cover TTC** (Currency Exchange Rate fluctuation cover between the date of the exporter’s bid to the customer and date

of contract award). Any adverse exchange rate movements experienced during the exporter's bid phase creates significant pricing and profitability risks to the exporter. There is no private market insurance product available to cover this risk. Whilst the treasury departments of large corporates can protect themselves, including through their banking relationships, an SME is very much at the 'mercy of the markets'. TTC cover is arguably more significant to a UK exporter, bidding in Pounds Sterling with a predominantly Pounds Sterling cost base, than say an EU exporter trading intra the Euro zone or a US exporter operating in markets where the US Dollar is the currency of trade

- b) **Fixed Rate Export Finance (FREF)** – see comments above
- c) **Supply Chain Finance** – A number of ECAs support the supply chain of their exporters. UKEF does not currently offer a Supply Chain Finance product. BExA sees additional merit to the Supply Chain in as much as UKEF would develop direct links with SMEs and MSBs in the supply chain who might otherwise not know of UKEF or indeed the support available to them if they were to start exporting in their own right. USEx-Im and EDC in Canada have aggressive supply chain finance schemes. BExA understands that for UKEF to initiate Supply Chain Support would require a change to the Export and Investment Guarantees Act 1991, as amended by the industry and Exports (Financial Support) Act 2009.
- d) **Basis of Coverage** – UKEF's modus operandi is to provide support on a contract by contract basis. It would enhance the applicability and take up of certain of the Short Term Schemes if cover limits could be put in place on a wider basis. Maximum cover levels could be agreed for individual exporters (per the EKN model for Bond Support) and similarly EXIP cover should be adapted to address a series of export sales to a single buyer or distributor. Such flexibility would enable SMEs to address export opportunities in a more confident and robust manner knowing that UKEF's valuable support is available at an early stage.

UKTI AND FOREIGN AND COMMONWEALTH OFFICE (FCO)

12. UKTI and the FCO have a vital interface role to enable export trade. BExA welcomes the creation of the 3 new business groups within UKTI, which

reflects the need to focus on different categories of exporter and particularly the SME and micro exporter sector. BExA considers that changes to UKTI's modus operandi of its charging regime and dissemination of available database information would increase the participation and competitiveness of SMEs in export markets. To this end, we propose:

- Payment for the Overseas market Information Service (OMIS) only when exports are won, ie on a success basis. Free access to UKTI's UK and overseas databases of potential target buyers
- UKTI to provide Trade Delegation members with lists of companies invited to receptions and meetings in advance of visits. This would allow exporters to research these potential buyers and decide on appropriate contract terms in advance of meetings.

13. As an alternative to or indeed an addition to OMIS, BExA would like to see Government introduce a form of Prospect Insurance along the lines of the French Coface product. As detailed below, Coface, which also acts as the French Export Credit Agency, offers French SMEs three Prospect Insurance Products. The products are aimed at providing funding or security of funding and thereby encouraging SMEs to enter export markets for the first time as well as encouraging existing exporters to increase market penetration.

14. Prospect Insurance 'First Steps' is specifically for French SMEs launching their export activity. The applicant must have a global turnover of less than Euros 50m per annum and export less than 10% of its turnover. Funding of up to Euros 30,000 is available for non-recurring export related costs including advertising, consulting, website creation or translation, participation in acceptable trade fairs, modification of products to the specific standards required by the prospective markets, employing a local agent, travel and hotel costs. Coface can guarantee up to 65% of the exporter's agreed export budget (up to Euros 30,000) for 3 years. The SME is charged a premium of 4% of the approved funding. Repayments of the funding commence at the end of the 3 year period and are spread over a number of years with repayments scaled according to the increase in export turnover resulting from the funding against an agreed schedule by way of a sharing of profits.

15. Prospect Insurance 'Classic' is designed to help French companies to develop their prospects in existing export markets, provide long term financial support and allow the company to amortise prospecting expenses over many years. The applicant must have a global turnover equivalent to or less than Euros 500m. A prospecting budget is agreed with Coface and could include participation at trade fairs, travel, recruitment, training and employer's costs of personnel to create or reinforce an export department, costs of a subsidiary or a local representative, market studies, legal advice, advertising and creation of a website. Coface guarantees between 25% and 75% of the Prospecting budget (depending on the company turnover, success and level of innovation) for a period of 1 to 4 years. At the end of each year the exporter identifies the increase in profits generated from new export sales. If the profit increase is less than the annual Prospecting budget then Coface pays the exporter the difference. Repayment of sums advanced by Coface is made in accordance with an amortising plan established on an agreed schedule based on future profits generated from new export orders. The company is charged an annual premium of 2% of the value of the guaranteed budget. Such premium rate to be increased to 4% should the company wish to benefit from the Prospect Advance (see below).

16. Prospect 'Advance' is complementary to the Prospect Insurance 'Classic' and is available to companies with a turnover of between Euros 1.5m and Euro 500m. Coface indemnifies the Prospecting budget at the beginning of the Prospecting period. This allows the company to access the Prospecting budget on day 1. The Prospect Insurance covers the bank against the failure or insolvency of the company. Coface guarantees up to 100% of the annual budget (limited up to 80% if the value is more than Euros 100,000). The bank (which must be a French bank or a bank established in France) has a partnership agreement with Coface.

17. Bank Regulation

The Banking Reform and Financial Services Act of December 2013 provides primary legislation ring-fencing the retail operations of banks from their investment banking operations. The detail and effect of the ring fencing is to be addressed within secondary legislation, which is currently the focus of discussion between HM Treasury and interested parties, including the British

Bankers Association. BExA has concerns, echoed by a number of other associations and entities, that the secondary legislation, when enacted in March 2014, must not constrain the ability of banks to provide standard trade finance products, such as standby letters of credit or restrict documentation to prescribed standards. This would exclude the ring fenced banks from providing export credit agency supported products and simple banking derivative products such as options on currency swap transactions. BExA's overall concern with regulation of the banks is that the burden of regulation generally adds to the cost of doing business, leading to a disincentive for financial institutions to help smaller companies to get on the exporting ladder.

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BRITISH EXPORTERS ASSOCIATION

UK Export Finance

Supporting the National Export Challenge

October 2013

Benchmarking, incorporating ECGD 2012-13 results

BEXA

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Contents

I.	Foreword.....	3
II.	UKEF benchmarking analysis	4
III.	Appendices	9
A.	Glossary.....	9
B.	BExA 2012 recommendations	10
C.	UKEF business in UKTI's priority markets	11
D.	ECAs product ranges... ..	12
E.	ECA business volume trends since 2007.....	13
F.	International framework for ECAs	14
G.	Sources.....	15

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I. Foreword

The Government's Exporting for Growth National Challenge (NEC), includes a target that 1 in 4 UK companies should export (the EU average) an increase from the current 1 in 5, and that by 2020 the UK should export £1 trillion p.a., more than double 2011's figure. BExA fully supports these goals and believes that UKEF has a vital role to play if we are to achieve them. UK exporters need to compete on an equal footing by offering their products and services on attractive commercial terms (credit and finance) in this highly competitive international marketplace. UKEF must recognise that it similarly operates in a competitive international ECA arena and therefore it needs to deliver products that at least match those offered by others.

In this paper, BExA compares UKEF with other ECAs, reflects upon differences in the range of support, and makes recommendations for change. We focus on the qualitative aspects of cover: how UKEF products can be made more accessible, flexible and effective and therefore successful. Progress on BExA's 2012 recommendations (see Appendix B on page 10) has been rather slow in some areas, which is why some of our 2013 recommendations reiterate our 2012 ones.

UKEF has demonstrated valuable flexibility in recent years. Its foreign content rules allow modern exporters to source competitively; Bond Support – championed by BExA for 8 years – has proved one of the most successful short term products; and the revamped short term cover – another of BExA's long term recommendations – is becoming more widely accepted. BExA would like to see products refined so that they are easier for companies, especially SMEs, to use.

On page 8, we look at how UKEF cooperates with UKTI. UKEF's support for UKTI's 21 priority destination markets signals encouraging signs of 'joined up Government'. Working better together should include website clarity, fast turnaround times, and the inclusion of customer credit information on UKTI OMIS reports enabling exporters to be able to offer the best commercial terms to creditworthy customers.

BExA's 2013 key recommendations

1.	Accessibility	Simplify application process. Remove unnecessary duplications. Reference UK Bribery Law to shorten anti-bribery and corruption declaration.
2.	SME support and awareness	Extend further UKEF's regional adviser network. Improve engagement with high-street banks at branch level. Provide of concise website information. Apply for Small Company Exception allowing cover for EU trade.
3.	Competitiveness medium term	Deliver Direct Lending, put in place the Export Refinance Facility and reinstate Fixed Rate Export Finance'
4.	Quality	Improve turnaround times. At minimum match private market cover. Clear and concise definitions in policies.

Return to growth

There are indications that the UK economy has turned a corner. Our overseas markets are also growing. Now is the time to capitalise on export opportunities. BExA proposes that the UK's reputation for customer-focused, high end engineering combined with innovative services – the result of many years of honing by our diverse workforce – should be repeated at UKEF: a well engineered, clear set of export support facilities to help its customers to win export orders.

Government recognises the vital role that the UK's exporters play in rebalancing the economy. UKTI and UKEF need to maintain focus and keep improving. It will take time to grow the understanding of how UKTI and UKEF can benefit exporters, for UKEF support to be included in export bids, and for orders to be negotiated. In the words of Lord Green, our valued Trade Minister, who is stepping down in December: 'It is a marathon not a sprint'. It is imperative that future Governments maintain the focus on the NEC.

Jon Coleman
Chairman

BExA

II. UKEF benchmarking analysis

A. UKEF product mix

Table 1: UKEF's product range evolution since BExA's 1st 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	All ECAs' average
July 2010	✗	✓	✓	✗	✗	✓	✗	✓	✓	✗	5	7.11
October 2011	✓	✓	✗	✗	✗	✓	✓	✓	✓	✓	7	7.28
September 2012	✓	✓	✗	✗	✗	✓	✓	✓	✓	✓	7	7.69
October 2013	✓	✓	✗	✗	✓	✓	✓	✓	✓	✓	8	7.42

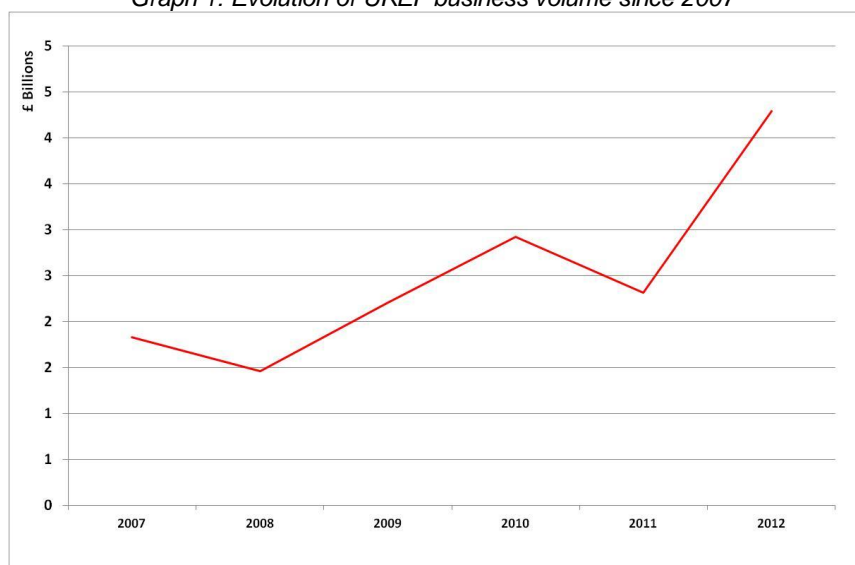
UKEF's score rose from 7 to 8 following the introduction of Direct Lending in September 2013. ECA averages deteriorated because of the inclusion in our numbers of new ECAs, including EXIAR of Russia (see Appendix D). Two key products are not offered by UKEF: a fixed interest rate mechanism (offered by the majority of competitor country ECAs) and tender to contract foreign exchange risk cover.

Competitor countries keep finding new ways to support exporters. Last year France created the Banque Publique d'Investissement to provide direct lending to French SMEs' overseas customers, and Canada's EDC offered credit lines to UK manufacturers. It is critical that UKEF, with HMT's support, implements Government decisions quickly. The Direct Lending Scheme took one year between announcement and being available while we are still waiting for the ERF which was announced in July 2012.

B. How did UKEF do in the last 12 months?

UKEF supported £4.3bn of exports in the year to March 2013, a near doubling of turnover. These figures appear to show an encouraging trend, however the growth came from UKEF support of a single £2bn defence sector transaction. Omitting this, the underlying business was actually static.

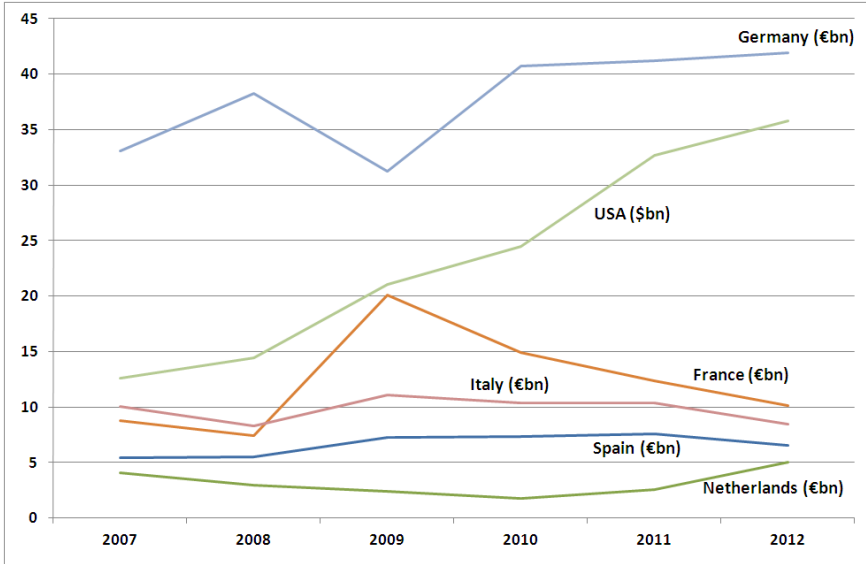
Graph 1: Evolution of UKEF business volume since 2007¹



¹ Figures for UKEF are for financial years starting 1st April whereas most, but not all, ECAs account in calendar years.

Over a similar period, volumes supported by US Ex-Im (USA) and Euler Hermes (Germany) continued to grow although some Eurozone ECAs slowed. China's Sinosure supported 40% more exports – over \$350bn. The complete table of the 40 ECAs' numbers can be found in Appendix E on page 13.

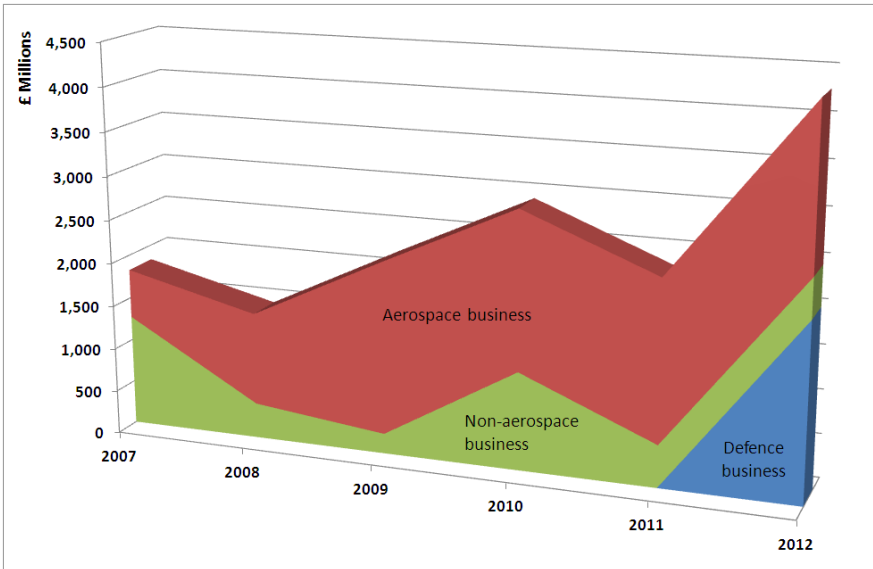
Graph 2: Comparison of selected ECAs' business volumes since 2007



C. Portfolio sector analysis

UKEF's vital support for the UK-manufactured wings and engines of Airbus aircraft continued. We also welcome the support for our national defence industry, however, it is disappointing that there was not more progress in other sectors of the UK economy.

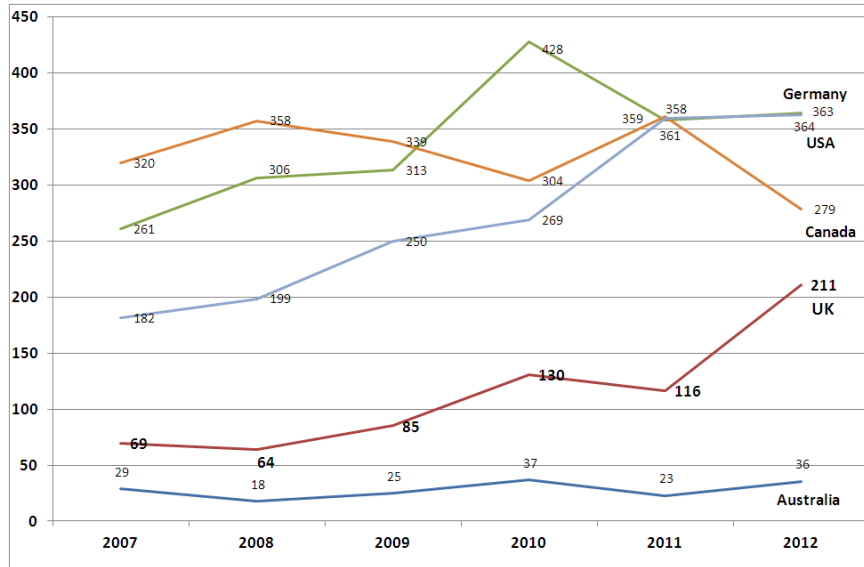
Graph 3: UKEF's business volume related to aerospace sector vs other sectors



D. Relative impact (value for money)

UKEF generated £211 of export orders for each £1 of operating costs, a near doubling, and at no cost to UK taxpayers². US Ex-Im and Euler Hermes are the pace setters, and both also outperform when it comes to supporting SMEs, an example that UKEF should certainly follow.

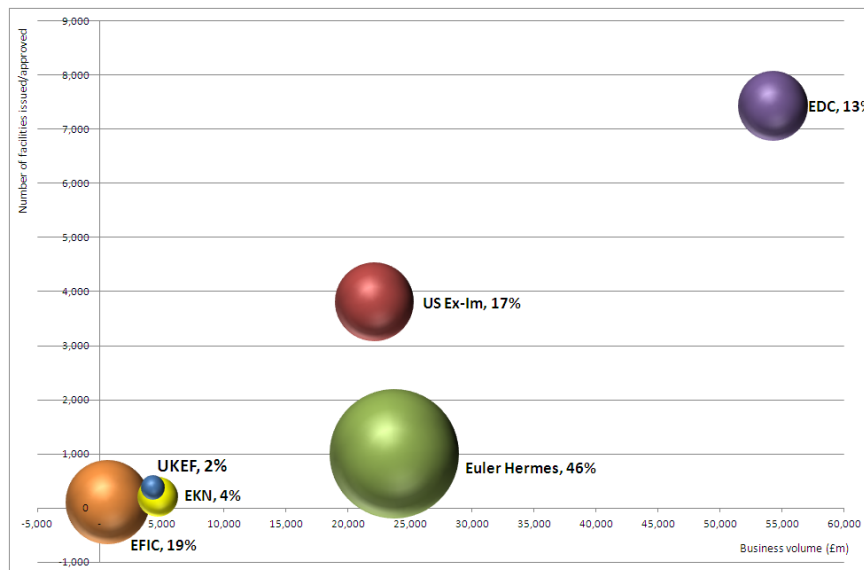
Graph 4: Selected ECAs' ratio of generated business volume vs operating costs



E. Engagement with SMEs and MSBs

From a base of near zero in 2010-11, UKEF supported almost £70m of SME exports, not forgetting the through-flow of support to the supply chain when UKEF backs UK capital goods exports. Some 40% of all facilities were for SMEs, up from 11% in the previous year. Graph 5 compares SME support in terms of the numbers of facilities/policies. The size of the bubble shows support given to SMEs compared to overall support.

Graph 5: Total business volume compared to number of facilities issued/approved



² Since 2001 UKEF's premium income has been higher than its operating costs (figures excluding claims and recoveries).

F. UKEF product review

Below, BExA scored each current product on a scale from 7 (excellent) to 1 (product overhaul needed), taking into account feedback received from its members including exporters, brokers, bankers and insurers.

7	6	5	4	3	2	1
Product	Required improvements					Score
Bond Support Scheme	More flexibility needed on security offered by SMEs.					7
Export Working Capital Scheme	Cover must not be contract specific.					2
Export Credit Insurance	Faster turnaround. Clear and comprehensive wording. Allow without recourse finance for framework purchase agreements					5
Bond Insurance Policy	Policy wording overly complicated, needs to reflect private market practice.					5
Overseas Investment Insurance	Overly complicated, needs to be usable by SMEs.					4
Letter of Credit Guarantee Scheme	Pricing mechanism needs to reflect OECD premium formula. Cover up to 95% as some other ECAs.					1
Supplier Credit Financing & Buyer Credit	Prescriptive documentation not allowing sourcing strategy to change during project life. Reintroduce FREF to level the playing field. Increase knowledge of SCF structuring.					5
Direct Lending Scheme	Promote scheme actively. Not competitive with other OECD ECA offers due to excessive margin proposed. Delegate delivery to ensure quality servicing post signature.					3

Overall we feel that UKEF should continue its efforts at increasing awareness of its capabilities so that more exporters can take advantage of this support. This should include distribution through the UK high street bank networks. We also feel that UKEF should give the banks more autonomy to operate finance schemes which would encourage take-up. Last but not least UKEF should directly support the financial requirements of SMEs in the supply chain of UK prime exporters, even if this requires a change of ECGD's Act³. We urge the Government to make the necessary amendments.

³ The Export and Investment Guarantees Act 1991, as amended by the Industry and Exports (Financial Support) Act 2009.

G. UKEF working with UKTI

ECGD was re-named UKEF in 2011 to reflect its role in supporting UK exporters alongside UKTI. UKEF's move to Whitehall in July 2013 should reinforce the togetherness of the two organisations. There would appear, however, to be an unnecessary Chinese Wall: UKTI does not make use of credit insurer (UKEF or the private market) views of potential overseas customers attending a trade show, overseas trade delegation or reception, even though it is good business practice to check customers in advance and establish if credit can be given; lists of invitees to overseas receptions are not disclosed by UKTI and are deemed to be confidential.

Including Airbus, some 29% of UKEF support was for UKTI's 21 priority markets (see Appendix C on page 11). UKTI should work with UKEF to ensure that this percentage grows, especially for non-Aerospace related transactions. UKTI's priority markets include Poland and Romania, countries which, being EU countries, are deemed 'marketable' and therefore for which UKEF short term export credit insurance cannot be provided. This Government strategy anomaly could be resolved in part if UKEF applied to the EC for the 'Small Company Exception' which would allow cover to be provided to smaller exporters for EU sales.

The GOV.UK website brings together a number of government agencies, but help for exporters leads only to UKEF⁴. UKEF's role as complementing the private market is not made clear. Neither is there a route to UKTI's products for finding new markets: Passport to Export, OMIS⁵, TAP. The website needs thumbnails so that it is clear how these help and for whom. Furthermore, GOV.UK does not refer to how to price up an offer including payment terms that are competitive. There should be natural flow from the UKTI website through to the risk and finance issues of export, how commercial banking and export credit insurance can help, and where UKEF's valuable support fits in.

UKEF's appointment of EFAs within UKTI offices broadens the take-up of the message about finance support, the value of competitive commercial terms, and how UKEF complements the private market. However there are only a dozen EFAs and it takes time for the message to get through. High street banks are the natural disseminators of export guidance, and indeed fulfill this role in other countries, but export awareness is patchy in UK local branches of commercial banks.

Many UK SMEs are in fact indirect exporters⁶ because they are involved in HVOs supported by UKEF: the challenge is to encourage these companies to branch out and export for themselves, accessing the marketing and finance/export credit support of UKTI and UKEF.

UKTI charges up front for its marketing services: potential exporters cannot access UKTI advice or join a trade mission until the OMIS fee is paid. BExA has proposed for some time that UKTI should charge for its OMIS reports on success. France⁷ and Czech Republic⁸ have a prospect insurance product. These provide funding support for prospecting for exports and allow the SME to evaluate the opportunities and pay for the service on winning overseas orders and, in some cases, use the prospect insurance to unlock bank funding.

Exporters need to be able to evaluate which customers can be offered open credit terms, price up export offers, and compete with suppliers from other countries without undue delay. A bought-in on-line credit limit service would enable UKEF to provide a speedy service to SMEs – either direct or via UKTI – on the creditworthiness of named customers. A grid of premium rates dependent upon exporter experience and buyer rating would allow fast pricing. There should be no reason, in this information age, for bureaucratic delays to indications of cover for credit risk protection.

⁴ <https://www.gov.uk/government-help-for-exporters>

⁵ <http://www.ukti.gov.uk/export/howwehelp/overseasmarketintroductionservice.html>

⁶ Airbus provides work for more than 100,000 people through an extended supply chain of more than 1,000 companies located across the UK, buying £2bn annually from these UK companies. BAE Systems bought from 9,000 UK suppliers in 2012, 2,600 of which were SMEs. Rolls-Royce exports £4.2bn from the UK, employs 21,000 people, and spends £2.4bn with its 2,300 UK suppliers securing an additional 85,000 jobs.

⁷ http://www.coface.fr/CofacePortal/FR_fr_FR/pages/home/pp/assurprospection/Interet

⁸ <http://www.egap.cz/pojistne-produkty/produkt-p/strucny-popis-pojistneho-produktu-kontakty/index-en.php>

III. Appendices

A. Glossary

EC	European Commission
ECA	Export Credit Agency
ECGD	Export Credits Guarantee Department (now called UKEF)
EFA	Export Finance Advisor
ERF	Export Refinancing Facility
EXIP	Export Insurance Policy
FREF	Fixed (interest) Rate Export Finance for ECA supported medium term credits
HMT	Her Majesty's Treasury
HVO	High Value Opportunity
LCGS	Letter of Credit Guarantee Scheme
MSB	Medium-Sized Business
OECD	Organisation for Economic Cooperation and Development
OII	Overseas Investment Insurance
OMIS	Overseas Market Introduction Service
SCF	Supplier Credit Facility
SME	Small and Medium-sized Enterprise
TAP	Trade Show Access Programme
UKEF	UK Export Finance
UKTI	UK Trade and Investment

B. BExA 2012 recommendations

	BExA 2012 Recommendations	Priority	Progress
1	Increase awareness of UKEF by SMEs and MSBs	Very high	<i>Ongoing</i>
2	Liquidity support (in progress)	Very High	<i>Partly launched</i>
3	Implement strategies for succession planning / resourcing	Very high	<i>New CEO</i>
4	Reduce the administrative burden on its customers	High	<i>Still too high</i>
5	Take advantage of EU small company exception	High	<i>Consulting</i>
6	Improve turnaround times for capital goods exports	High	<i>Some progress</i>
7	Support the UK supply chain of large exporters	Medium	<i>No progress</i>
8	Introduce foreign currency bidding cover for SMEs	Medium	<i>No progress</i>
9	Introduce a fixed rate mechanism for export credits' drawing period	Medium	<i>No progress</i>

C. UKEF business in UKTI's priority markets

Country	Airbus business volume £	Non Airbus business £	Total £
Brazil	10,750,386	149,584,689	160,335,075
China	152,048,208	3,209,254	155,257,462
Colombia			
Hong Kong	54,533,551		54,533,551
India	30,823,426	15,975,528	46,798,954
Indonesia		9,800,566	9,800,566
Saudi Arabia		7,546,897	7,546,897
Malaysia	109,102,301		109,102,301
Mexico	11,980,459	606,710	12,587,169
Nigeria			
Poland			
Qatar		1,722,463	1,722,463
Romania			
Russia	130,300,594	87,231,134	217,531,728
Singapore	62,907	43,228	106,135
South Africa		2,390,684	2,390,684
South Korea			
Thailand	170,896,964	1,946,700	172,843,664
Turkey	92,804,960	588,957	93,393,917
United Arab Emirates	21,879,312	36,250	21,915,562
Vietnam	191,209,479		191,209,479
Total	976,392,547	280,683,060	1,257,075,607

D. ECAs product ranges⁹

Countries	ECAs/Other government agencies	OECD member	Short-term insurance	Medium/Long-term export credit schemes	Fixed rate financing (CIRR)	Foreign exchange fluctuation cover	Direct lending	Investment insurance	Bond support scheme/ issuance	Unfair calling insurance	Letter of credit guarantee scheme	Working capital facility	Total
United Kingdom	UKEF	Yes	✓	✓	✗	✗	✓	✓	✓	✓	✓	✓	8
Australia	EFIC	Yes	✗	✓	✓	✗	✓	✓	✓	✓	✓	✓	8
Austria	OeKB/OeEB/Export fonds	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✗	8
Belgium	ONDD	Yes	✓	✓	✓	✗	✗	✓	✓	✓	✗	✓	7
Brazil	SBCE/BNDES	No	✓	✓	✓	?	✓	?	✗	?	?	✓	5
Bulgaria	BAEZ	No	✓	✓	?	?	✗	✓	?	✓	✓	✓	6
Canada	EDC	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
China	Sinosure/China Eximbank	No	✓	✓	✗	✗	✓	✓	✓	✗	✓	✓	7
Croatia	HBOR	No	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
Czech Republic	EGAP/CEB	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
Denmark	EKF	Yes	✓	✓	✗	✗	✓	✓	✗	✓	✓	✓	7
Finland	Finnvera/FEC	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
France	Coface/BPI	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Germany	Euler Hermes/KfW	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
Greece	ECIO	Yes	✓	✓	✗	✓	✗	✓	✗	✗	✗	✗	4
Hungary	MEHIB/Eximbank	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
India	ECGC/Exim Bank	No	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Italy	SACE/SIMEST/CDP	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
Japan	NEXI/JBIC	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
Luxembourg	ODL/SNCI	Yes	✓	✓	✓	✗	✓	✓	✗	✓	✗	✓	7
Malaysia	Exim Bank	No	✓	✓	✗	✗	✓	✓	✓	✓	✓	✓	8
Mexico	Bancomext	Yes	✓	✓	?	✓	✓	?	✓	?	?	✓	6
Netherlands	Atradius	Yes	✓	✓	✗	✓	✗	✓	✓	✓	✓	✓	8
New Zealand	NZECO	Yes	✓	✓	✗	✗	✗	✗	✓	✓	✓	✓	6
Norway	GIEK/ECN	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
Poland	KUKE/BGK	Yes	✓	✓	✓	✗	✗	✓	✓	?	✓	✗	6
Portugal	COSEC	Yes	✓	✓	✗	✗	✗	✓	✓	✗	✗	✓	5
Romania	EximBank	No	✓	✓	✓	✗	✓	✓	✓	✗	✓	✓	8
Russia	EXIAR	No	✓	✓	?	?	✗	?	?	?	?	?	2
Slovakia	Eximbanka SR	Yes	✓	✓	✗	✗	✓	✓	✓	✓	✓	✓	8
Slovenia	SID Bank	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
South Africa	ECIC SA	No	✓	✓	✓	✓	✗	✓	✓	✓	✗	✓	8
South Korea	K-sure/KEXIM	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✗	✓	8
Spain	CESCE/ICO	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
Sweden	EKN/SEK/ALMI	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
Switzerland	SERV	Yes	✓	✓	✗	✗	✓	✗	✓	✓	✓	✓	7
Taiwan	Eximbank	No	✓	✓	✗	✗	✓	✓	✓	?	✓	✓	7
Thailand	Eximbank	No	✓	✓	✗	✗	✓	✓	✓	?	✓	✓	7
Turkey	Eximbank	Yes	✓	✓	✗	✗	✓	✗	✓	✓	✗	✓	6
USA	Ex-Im/OPIC	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
Total countries providing this product			39	40	24	6	31	34	34	30	30	36	

Methodology

BExA sourced data from ECA websites, supplemented by some direct contact with ECAs. Where an ECA relies on another government department or institution to provide a product or service, for example direct lending, BExA took this into account. A 'point' was allocated for each of 10 key products or services. Where it was not certain if a particular product or service was offered, BExA did not give a point.

E. ECA business volume trends since 2007⁹

Country	Export Credit Agency	2007	2008	2009	2010	2011	2012	Unit	Currency
UK	UKEF	1,830.0	1,460.0	2,206.0	2,924.0	2,318.0	4,295.0	m	GBP
Argentina	BICE	463.0	610.5	635.7	786.5	1,069.2	n.a.	m	USD
Australia	EFIC	554.4	369.2	576.5	971.3	593.1	1,003.5	m	AUD
	<i>incl direct funding/lending</i>	59.3	144.4	499.7	575.8	182.1	95.3	m	AUD
Austria	OeKB	20,244.0	21,866.0	17,385.0	8,282.0	10,606.0	12,220.0	m	EUR
Belgium	ONDD	9,931.1	15,926.6	9,470.9	7,411.0	7,303.0	7,612.0	m	EUR
Brazil	BNDES	64,900.0	92,200.0	137,400.0	168,400.0	139,700.0	156,000.0	m	BRL
Bulgaria	BAEZ	292.9	319.2	354.4	443.3	533.3	505.4	m	BGN
Canada	EDC	70,049.0	85,819.0	83,397.0	84,821.0	102,544.0	87,490.0	m	CAD
China	Sinosure/Eximbank	43,409.00	67,679.00	119,853.00	201,814.00	257,419.00	356,902.30	m	USD
Croatia	HBOR	2,312.0	1,701.0	2,500.0	2,150.0	1,700.0	2,560.0	m	HRK
Czech Republic	EGAP/CEB	69,407.0	63,546.0	86,926.0	110,956.0	78,828.0	98,300.0	m	CZK
Denmark	EKF	8,970.0	10,192.0	13,700.0	12,662.0	23,149.0	29,431.0	m	DKK
Estonia	KredEx	n.a.	n.a.	n.a.	121.4	258.0	280.0	m	EUR
Finland	Finvera	764.0	3,844.9	3,759.8	2,642.4	3,158.7	2,414.2	m	EUR
France	Coface	8,800.0	7,400.0	20,100.0	14,900.0	12,400.0	10,100.0	m	EUR
Germany	Euler Hermes/KfW IPEX Bank	33,070.8	38,283.0	31,279.6	40,762.5	41,233.6	41,957.1	m	EUR
Hungary	MEHIB	244,679.1	109,504.6	79,741.5	106,004.3	121,201.0	n.a.	m	HUF
	Eximbank			200,263.0	177,023.0	191,715.0	n.a.	m	HUF
India	ECGC/Eximbank	713,434.8	588,307.8	682,057.5	756,033.3	921,407.3	954,952.4	m	Crores
Italy	SACE	10,084.0	8,300.0	11,100.0	10,400.0	10,400.0	8,500.0	m	EUR
Japan	NEXI/JBIC	11,213.1	12,420.8	11,564.1	10,348.8	10,133.6	n.a.	bn	JPY
Luxembourg	ODL	1,050.0	1,405.6	894.6	868.4	1,090.9	785.1	m	EUR
Malaysia	Exim Bank	2,699.0	2,493.0	1,788.0	1,700.0	5,100.0	2,800.0	m	MYR
Mexico	Bancomext	2,844.0	4,312.0	3,000.0	3,037.0	5,287.0	8,442.0	m	USD
Netherlands	Atradius DSB	4,100.0	3,000.0	2,400.0	1,800.0	2,600.0	5,000.0	m	EUR
Norway	GIEK	11,400.0	15,222.0	16,641.0	24,205.0	25,264.0	15,179.0	m	NOK
	ECN	11,543.0	14,062.0	14,381.0	2,731.0	6,238.0	24,217.0	m	NOK
Poland	KUKE	1,476.8	1,787.5	676.7	1,437.3	1,578.8	1,307.1	m	USD
Portugal	COSEC	134.0	157.1	170.3	269.4	1,003.0	358.6	m	EUR
Russia	EXIAR	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Slovak Republic	Eximbanka SR	304.0	365.8	294.6	366.7	441.8	307.9	m	EUR
Slovenia	SID Bank	530.2	914.0	952.5	1,440.1	1,203.4	942.3	m	EUR
South Africa	ECIC SA	n.a.	n.a.	n.a.	1,008.0	2,573.0	3,967.0	m	ZAR
South Korea	K-sure/Kexim	142,731.0	189,664.0	215,055.0	257,605.0	269,921.0	286,262.0	bn	KRW
Spain	CESCE	5,436.4	5,525.5	7,293.4	7,306.2	7,600.2	6,575.3	m	EUR
Sweden	EKN	23,943.0	32,905.0	80,169.0	113,730.0	63,111.0	49,344.0	m	SEK
	SEK (direct lending)	56,826.0	64,890.0	122,476.0	48,749.0	51,249.0	56,235.0	m	SEK
Switzerland	SERV	3,537.0	2,904.0	3,529.0	3,588.0	3,321.0	3,843.0	m	CHF
Taiwan	Eximbank	42,092.0	44,932.0	64,483.0	70,969.0	81,758.0	99,399.0	m	TWD
Thailand	Eximbank	2,089.0	8,821.0	11,639.0	13,376.0	7,806.0	6,988.0	m	THB
Turkey	Eximbank	4,707.3	5,083.7	4,673.7	5,088.7	5,934.4	7,533.7	m	USD
USA	US Ex-Im	12,569.4	14,398.9	21,021.1	24,467.8	32,727.1	35,784.3	m	USD

n.a.: Not available

⁹ Although we have made every effort to ensure that the information contained in this Appendix is accurate, we cannot guarantee the complete accuracy of the information provided and we would like to invite you to contact BExA if you identify any inaccuracy so that it can be corrected in our next benchmarking paper.

F. International framework for ECAs

UKEF is the UK's official ECA, providing export credit insurance and finance support to complement and enable rather than compete with commercial export credit insurance and trade finance. UKEF support, in line with that of its ECA peers, is highly regulated. International agreements aim to prevent national governments providing undue subsidies, and/or a credit race through their respective ECAs.

These include:

- OECD “Arrangement on Guidelines for Officially Supported Export Credits” applies to the official support of credits longer than 24 months¹⁰.
- Compliant support is a recognised exception to Article 3 of the WTO Agreement on Subsidies and Countervailing Measures which otherwise prohibits export subsidy.
- Agricultural commodities and military equipment have different frameworks.
- Chile, Iceland and Israel, while members of the OECD, do not comply with the Arrangement.
- The Arrangement is incorporated into EC law and therefore compliance is mandatory for the EU. (Council Decision 93/112/EEC, amended by Decision 97/530/EC)¹¹.
- The EC DG Trade co-ordinates policy (Council Decisions 73/391/EEC and 76/641/EEC) which provide for consultations among member states on official support for long term export credits.
- EU members may not provide “State Aid” for intra-EU exports.
- EU ECAs are not allowed to provide short term export credit insurance to ‘marketable’ countries, including North America, Australasia and Japan. The ECAs of these countries, on the other hand, have no such restrictions on providing cover for sales to the EU.

Poland’s ECA, KUKE, describes comprehensively the international framework and co-operation between ECAs on its website¹².

¹⁰ <http://www.oecd.org/tad/exportcredits/>

¹¹ <http://eur-lex.europa.eu/JOIndex.do>

¹² http://www.kuke.com.pl/international_cooperation.php

G. Sources

United Kingdom	www.gov.uk/government/organisations/uk-export-finance
Argentina	www.bice.com.ar
Australia	www.efic.gov.au
Austria	www.oekb.at/en
Belgium	www.ondd.be
Brazil	www.sbce.com.br
Bulgaria	www.baez-bg.com
Canada	www.edc.ca
China	www.sinosure.com.cn and english.eximbank.gov.cn
Croatia	www.hbor.hr
Czech Republic	www.egap.cz and www.ceb.cz
Denmark	www.ekf.dk
Estonia	www.kredex.ee
Finland	www.finnvera.fi
France	www.coface.fr and http://www.bpifrance.fr
Germany	www.eulerhermes.de/en/products/products.html , www.agaportal.de/en/index.html and www.akabank.de/english/index.html
Greece	www.ecio.gr
Hungary	www.exim.hu
India	www.ecgc.in and www.eximbankindia.com
Italy	www.sace.it
Japan	www.nexi.go.jp and www.jbic.go.jp
Luxembourg	www.ducroire.lu
Malaysia	www.exim.com.my
Mexico	www.bancomext.com
Netherlands	www.atradius.com/nl/en/dutchstatebusiness
New Zealand	www.nzeco.govt.nz
Norway	www.giek.no
Poland	www.kuke.com.pl and www.bgk.com.pl
Portugal	www.cosec.pt
Romania	www.eximbank.ro
Russia	www.exiar.ru
Slovakia	www.eximbanka.sk
Slovenia	www.sid.si
South Africa	www.dti.gov.za and www.ecic.co.za
South Korea	www.koreaexim.go.kr and www.keic.or.kr
Spain	www.cesce.com and www.mcx.es
Sweden	www.ekn.se
Switzerland	www.serv-ch.com
Taiwan	www.eximbank.com.tw
Thailand	www.exim.go.th
Turkey	www.eximbank.gov.tr
USA	www.exim.gov

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The logo for BExA, featuring the letters 'BExA' in a bold, red, sans-serif font. The 'B' and 'A' are significantly larger than the 'E' and 'X'.

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