



## **BExA Commentary** **Government Supported Working Capital Finance**

September 2011

Two separate government schemes are currently available to support the provision of working capital finance for exporters, one operated by BIS targeted at small exporters needing £1m, and another for larger value individual export contracts, operated by ECGD.

### **Export Enterprise Finance Guarantee (ExEFG)**

*The Export Enterprise Finance Guarantee facilitates the provision of commercial export finance facilities to viable small and medium sized enterprises (SMEs) which lack the security necessary to obtain such facilities. ExEFG is a self-financing scheme through which the lender is provided with a guarantee for which the borrower pays a premium. All decisions on the use or otherwise of ExEFG rest with the participating lenders.*

<http://www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance/ex-efg#accesskey-skip>

The ExEFG is an extension of the domestic Enterprise Finance Guarantee and is aimed at helping creditworthy small companies to access working capital from their banks even after they have already pledged available security. The finance can be used in respect of a single export contract or a series of contracts. Applicants will need to provide worked business plans to justify the support requested. Eligibility:

- UK exporters in all sectors with a turnover of up to £25m p.a.
- Facility: £25,001 - £1m and for a maximum duration of 2 years
- Export enterprise finance may include Bond Support and/or pre-shipment finance.
- Exports can include services performed overseas including overseas promotional activities and design of overseas sourced goods which do not enter the UK.
- Loan is guaranteed by the Department for Business Innovation & Skills (BIS)
- BIS guarantee is for 60% of the borrowing line
- The borrowing limit is decided by the bank, and will reflect the security that it holds.
- Charges on principal private residences are not permitted
- Premium of 3% p.a. is payable up front, in addition to bank fees

### **Export Credits Guarantee Department (ECGD) Working Capital Scheme**

*The scheme is being introduced to assist UK exporters gain access to working capital finance (both pre- and post-shipment) in respect of specific export contracts. Under the scheme, ECGD will provide partial guarantees to banks to cover the credit risks associated with approved export working capital facilities. Where a bank provides such a facility in respect of a UK export contract, ECGD can typically guarantee 50% of the risk.*

<http://www.ecgd.gov.uk/assets/bispartners/ecgd/files/prods-servs/quickguides/quick-guide-to-ewcs-for-exporters-v1.pdf>

ECGD's Working Capital Scheme is made available for any size of exporter, and is designed to support pre- and/or post-shipment working capital needs for an individual export contract.

- Designed for export contracts of £1m and more
- Maximum facility value 75% of the export contract
- Minimum UK content 20%
- Facility available for up to 2 years.
- ECGD takes a portion of the interest margin charged by the bank.
- ECGD shares equally with the bank in any security.

ECGD provides other finance support facilities for viable export business, namely for Bond Support and Foreign Exchange Credit Support as well as guarantees supporting letters of credit, medium term finance and projects.

Hugh Bailey

Director, British Exporters Association 020 7222 5419 [hughbailey@bexa.co.uk](mailto:hughbailey@bexa.co.uk)

DISCLAIMER: You are advised to undertake your own research and take professional advice

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Broadway House, Tothill Street, London SW1H 9NQ [www.bexa.co.uk](http://www.bexa.co.uk)

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