

BRITISH EXPORTERS ASSOCIATION

UK Export Finance

A key role in the National Export Challenge

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Benchmarking incorporating ECGD 2011-12 results

BEXA

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Contents

1.	Foreword	3
2.	UKEF Mission.....	4
3.	Recommendations.....	6
4.	UKEF Benchmarking	9
6.	Sources	19

1. Foreword

The Government's Exporting for Growth National Challenge (NEC), launched in November 2011, 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 the current figure. BExA fully supports these goals and believes that UK Export Finance (UKEF) has a vital role to play if we are to achieve them. In this paper, BExA compares UKEF with other ECAs, reflects upon differences in the range and quality of support, and makes recommendations for changes that will help realise these ambitious targets.

In 2011, UKEF introduced new short term products, rebranded itself 'UK Export Finance' and started to re-engage with SMEs (Small and Medium sized Enterprises) and MSBs (Mid-Sized Businesses). In July 2012, UKEF announced its intention to provide liquidity support for medium and long term credits. This is significant progress. However, UKEF's business volumes are not yet rising and UKEF support is running at only 0.7% of UK exports. BExA contends that UKEF must improve its capabilities – its products and services, the delivery, and the resources needed to do so – to meet exporters' needs, bearing in mind the need for a level playing field for our exporters to compete for international business with exporters from other nations. BExA's recommendations are summarised below:

	BExA Recommendations	Priority
1	Increase awareness of UKEF by SMEs and MSBs Improve distribution and awareness through training and incentivisation	Very high
2	Liquidity support (in progress) Provide a competitive medium term funding support product	Very High
3	Implement strategies for succession planning / resourcing Secure future effectiveness and service delivery	Very high
4	Reduce the administrative burden on its customers Simplify application forms and policy wordings – reduce 'red tape'	High
5	Take advantage of EU small company exception Support small companies entering perceived lower risk export markets	High
6	Improve turnaround times for capital goods exports Speed up responses to meet exporter bid timescales	High
7	Support the UK supply chain of large exporters Engage with SMEs and MSBs through supporting indirect exports	Medium
8	Introduce foreign currency bidding cover for SMEs Help SMEs to guard against exchange rate variations during a bid	Medium
9	Introduce a fixed rate mechanism for export credits' drawing period Restore a fixed rate export finance scheme	Medium

It is a very difficult economic environment and this is compounded by increasing international regulation of financial institutions. In this context, the mission of UKEF is very clear. Support needs to be provided, to the maximum extent that is allowed under the international framework, in a clear and practical way, both for short term trade and medium and long term credits supporting capital goods and services. This must be a medium term strategy; it needs to outlive the current parliament.



Jon Coleman

Chairman



2. UKEF Mission

2.1. About UK Export Finance

UKEF is the UK's official Export Credit Agency (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; see Appendix 5.3.

UK exporters have the ability to access a wide range of high quality and innovative financiers and insurers, but these service providers may not have the appetite to support all exports. Traders with limited track record, including young, innovative companies such as those providing low carbon solutions, or for non-traditional destinations, or which require developmental engineering over long horizons are unlikely to be favoured by commercial providers. Banks and insurers are subject to increased regulation (Basel II & III, the Financial Services Authority and Solvency I & II) and have capacity constraints including those which relate to the availability of secondary markets such as reinsurance.

An ECA should therefore provide support for sound business where commercial financial institutions either have limited appetite or are offering uncompetitive terms. The support should be flexible so that it can become available when needed, in line with the cycles of commercial appetites. Furthermore, there is a competitive element to support for international trade including capital projects. It is important that UK exporters should receive the same level of support as is given to exporters from our main competitor countries.

The focus of ECA support should be on creating and sustaining UK jobs. In its 2011 Annual Report, Hermes of Germany quotes research on the employment effects of export credit guarantees. Interviews were conducted with 4,000 companies that had made use of Federal export credit guarantees over the previous decade. An extract is below:

'79,000 jobs were created on average with the help of the export credit guarantees in the years from 2000 to 2008, and 62,000 preserved. This means that more than 140,000 jobs a year were supported by Hermes cover. In tandem with the considerable increase in cover volume in 2010, these figures rose to 137,000 new and 103,000 preserved jobs respectively. This brought the number of jobs supported by Hermes cover up to 240,000. It is not only for the exporters, but also their subcontracting suppliers that jobs are secured to a high degree.'

BExA argues that the Government should take account of this wider economic perspective in relation to export support.

2.2. Export finance

Arranging UKEF supported medium term export facilities has, for a long time, been the preserve of specialist banking teams based in London spread across 15-20 banks. The specialisms of these teams include structuring and arranging of ECA-supported medium and long term credits for capital goods exporters worldwide. Access by SMEs and MSBs to global export finance banks is becoming increasingly difficult as banks re-examine their client relationships and focus in the light of rapidly changing market conditions and regulation. There is a real danger that export finance for smaller value transactions will not be available.

Short term trade finance in the UK is provided by a range of banks, the limitations being the overall lending constraints to each exporting business.

The German solution for improving the availability of export finance for all sizes of exporters was to create AKA in 1952 as a secondary market. AKA is owned by a consortium of German banks and supports the provision of short, medium, and long term export finance. BExA suggests that AKA's role should be studied in relation to current discussions on a state-backed business bank. AKA help is distributed through its shareholders' branch networks and it only finances exports that are not viable for the commercial sector.

2.3. Export credit insurance

The UK has a healthy short term credit insurance market. A dozen or more commercial providers offer cover for portfolios of receivables, mostly with a 'credit limit' service. Another 30 multi-line insurers are active for single situations, typically for large individual contracts involving short or medium term payment. The UK's competitive and innovative insurance brokers help exporters and their financiers by arranging covers for contract frustration and bad debt protection with the option for attachment of trade finance.

Limitations in the commercial insurance market include that the minimum premium will mean smaller insured values are uneconomic, and there is limited appetite for certain destination countries.

2.4. Required product mix from UKEF

In practical terms, the ECA provides support through provision of specific products. BExA lists in Table 1 the products that we believe an ECA should offer.

Table 1: Ideal ECA product mix vs UKEF offering

Ideal ECA products	Current availability from UKEF
Short-term credit insurance cover: <ul style="list-style-type: none"> • Credit insurance for 'non-marketable'¹ destinations² • A company's first export, whatever the destination • Small value contracts, portfolios <€2m, all destinations • Support for sub-contractors to UK exporters • Very large exports, to top up capacity in the commercial market • Flexibility about definition of 'non-marketable' 	<ul style="list-style-type: none"> ✓ Yes ~ Only if 'non-marketable' ~ Only if 'non-marketable' ✗ No: 'vires'³ ~ Non-marketable' only; no top-up <p>EU list reviewed 1997, cover allowed for Greece in 2012</p>
Finance support, short term (all destinations): <ul style="list-style-type: none"> • Working capital support² • Bond support² • Tender to contract (exchange risk) cover • Finance support for sub-contractors to UK exporters 	<ul style="list-style-type: none"> ✓ Yes ✓ Yes ✗ No ✗ No: 'vires'
Medium and long term support (insurance and finance) (all destinations): <ul style="list-style-type: none"> • Buyer Credit, Supplier Credit, Project Finance • Fixed (interest) rate export finance • Direct lending 	<ul style="list-style-type: none"> ✓ Yes ✗ No: withdrawn 2011 ~ In progress: ERF

¹ The EU deems that exports to the following export destinations are 'marketable'/ commercially insurable: EU (excepting, currently, Greece), Norway, Switzerland, USA, Canada, Australia, New Zealand, Japan, Iceland.

² These 'products', introduced in 2011, were championed by BExA, and enable UKEF to engage significantly with smaller companies, for the first time of being able to do so since 1991.

³ 'Vires', as used by UKEF, is an abbreviation of the term 'ultra vires' (from the Latin meaning "beyond the powers") and relates to the fact that UKEF cannot act outside the statutory powers set out in the Export and Investment Guarantees Act 1991 as amended by the Industry and Exports (Financial Support) Act 2009.

3. Recommendations

3.1. Increase awareness of UKEF by SMEs and MSBs

Improve distribution and awareness through training and incentivisation

It takes time to establish awareness and distribution mechanisms. UKEF has not been as agile as other countries' ECAs in reaching out to SMEs and MSBs, yet it is these businesses which need extra help.

Government advisors, including UKTI and BIS need to be clear about how the commercial terms of a bid can win or lose an export deal, about the risks of not being paid, and to encourage good business practice by using export credit insurance, with the first port of call being the commercial market. While referrals to UKEF should be encouraged, potential exporters should not be given the impression that UKEF is the only credit insurer. Government websites are not clear in this respect⁴.

We support the recruitment of Export Finance Advisors (EFAs) to operate from UKTI regional offices. EFAs should be given suitably challenging targets in terms of numbers of new contacts with SMEs and MSBs as well as exports generated, together with remuneration to encourage the EFAs to see opportunities through to closure.

Training/awareness workshops need to take place regionally with bank branches and financial advisors to increase product knowledge. Banks and other financial intermediaries should be given financial incentives to distribute UKEF bond support facilities in the same way that specialist export credit insurance brokers receive brokerage on placement of short term export credit insurance with UKEF. The rate of commission should be considered carefully, bearing in mind that smaller and mid-sized exporters may require extra help.

3.2. Liquidity support (in progress)

Provide a competitive medium term funding support product

The Chancellor's announcement in July 2012 for a backstop Export Refinancing Facility (ERF) was welcome. Work has started to design a scheme that works for both the Government and the exporting community (banks and exporters). The UK is one of the last countries to implement, via its ECA, such a facility so time is of the essence.

BExA has concerns about smaller value capital goods exports by SMEs / MSBs. Few banks have the capacity, or willingness, to arrange medium term export finance for low value transactions, and so we urge UKEF to establish a mechanism within the new ERF whereby SMEs/SMBs can directly access export finance support where it can be demonstrated that the banking market cannot or will not provide such support.

Discussion concerning the creation of a state-backed small business bank (or direction towards UK banks with partial State ownership) needs to address the delivery of export finance products for SMEs and MSBs. In this context, see our comments on Germany's AKA in section 2.2.

UKEF liquidity support needs to be comparable with the offerings of other ECAs, in particular those that are providing direct funding solutions.

⁴ [http://www.ukti.gov.uk/pt_pt/uktihome/item/297180.html?null#_7_Prep... to](http://www.ukti.gov.uk/pt_pt/uktihome/item/297180.html?null#_7_Prep...) and <http://www.businesslink.gov.uk/bdotg/action/layer?r.i=1077762943&r.l1=1079717544&r.l2=1087335890&r.l3=1087336556&r.l4=1077762923&r.t=RESOURCES&topicId=1078959714>

3.3. Implement strategies for succession planning and resourcing

Secure future effectiveness and service delivery

BExA suggests that to deliver the expansion needed in the NEC, a strategy on resourcing will need to be implemented. UKEF also needs to consider its resourcing issue in terms of business continuity. New starters must be recruited and trained. It takes time to learn the “art” of export credits.

In order to make better use of its resources, BExA recommends that UKEF “buys in” credit limit decisions from export credit insurers. Access to commercial libraries of buyer information could speed response times for SME support.

3.4. Reduce the administrative burden on its customers

Simplify application forms and policy wordings – reduce ‘red tape’

UKEF’s short term export credit insurance cover is affordable and with good indemnity. However it needs to be more accessible. The application form is cumbersome and the policy wording is complex rather than clear. Exporting is inherently complex, so a new exporter deserves to be encouraged rather than be faced with barriers. Therefore:

- Application forms can be allied to the Bribery Act which came into force mid-2011;
- Wordings should be clear and simple, without cross references and negativity;
- Clear definitions of insolvency, political risks and natural disasters are needed;
- SMEs and their financiers should be able to know when they will be paid a claim;
- Wordings include an arbitrary cut-off for claims for the convenience of UKEF whereas an exporter needs confidence that once the contract is taken, support continues until the last payment;
- Exporters of bespoke products need cover against pre-shipment contract frustration in case of buyer insolvency as well as a political event;
- Salvage sharing should be equitable.

UKEF should engage with insurance brokers to review wordings.

3.5. Take advantage of the EU small company exception

Support small companies entering perceived lower risk export markets

Notwithstanding the impending EC announcement about rules for ECA short term cover from 2013, there is an existing rule that allows new and small exporters full cover for all destinations. BExA is disappointed that UKEF did not apply for the ‘small company exception’, despite our request to do so in March this year, and evidence that other ECAs are operating the exception. Small companies deserve to be able to access bad debt protection, even if their first export or series of exports is for Europe and North America – our traditional export markets - where it is uneconomic for a commercial credit insurer to provide cover.

3.6. Improve turnaround times for capital goods exports

Speed up responses to meet exporter bid timescales

The insurance broking community reports that initial response times on short term export credit insurance enquiries have improved and are now in line with expectations. On the other hand, industrial goods exporters are still reporting unacceptable turnaround times for larger transactions.

It is a competitive international marketplace and exporters cannot afford to stall negotiations pending the communication of decisions or comments by UKEF.

BExA proposes that UKEF should reintroduce its Customer Charter and reports of response times⁵. UKEF needs to meet the exporting community deadlines; this is especially key for exporters during contract negotiations and for banks whilst negotiating loan documentation.

3.7. Support the UK supply chain of large exporters

Engage with SMEs and MSBs through supporting indirect exports

Many UK manufacturers supply components that are included in export orders. Support for these 'indirect exports' would help unlock lending to SMEs. The value of supply chain finance to SMEs was acknowledged as a credible idea by the Government in its response to Tim Breedon's taskforce Boosting Finance Options for Business⁶ report in March 2012. BExA suggests that support for 'indirect exports' may be a useful 'way in' to companies that currently only export through 'main contractors' but have the potential to become exporters in their own right.

Allowing indirect exports to be supported by UKEF could lead to the implementation of a dedicated supply chain finance scheme. Such facilities are already a feature of some competitor ECAs' product mix including US Ex-Im⁷ and Canada's EDC⁸.

3.8. Introduce foreign currency bidding cover for SMEs

Help SMEs to guard against exchange rate variations during a bid

SMEs and MSBs in particular will regularly need to bid for export business in euros or US dollars in order to be competitive, yet their costs are likely to be in sterling. Currency movements during the months before contract award could result in the exporter being obliged to contract at a loss. UKEF used to provide a tender to contract facility and alternatives from the commercial sector are no longer available.

3.9. Introduce a fixed rate mechanism for export credits' drawing period

Restore Fixed Rate Export Finance scheme

An ECA supported fixed rate credit is still a regular requirement of tenders for major international projects. UKEF's decision to scrap its scheme means exporters are often unable to be fully compliant with invitations to tender and risk being disqualified or 'marked down' in evaluation. The majority of our foreign competitors, on the other hand, are able to make compliant tenders because they have ECA support for fixed rate export finance, namely the Commercial Interest Reference Rate (CIRRs) as published by OECD.

We need UKEF to provide a fixed rate mechanism (preferably based on CIRRs) which will allow buyers of British capital goods to know the interest rate that will apply to the loan they have entered into from day one. The knowledge that UKEF can cover fixed interest rates provided by the commercial banks is welcome but mainly solves the issue for financings with a single disbursement rather than projects with multiple drawdowns.

⁵ Such as were presented in its newsletters up to 2007.

⁶ <http://www.bis.gov.uk/assets/biscore/enterprise/docs/b/12-669-boosting-finance-options-government-response.pdf>

⁷ http://www.exim.gov/products/insurance/supply_chain.cfm

⁸ <http://www.edc.ca/EN/Our-Solutions/Pages/supply-chain-financing.aspx>

4. UKEF Benchmarking

4.1. Summary

The 20% drop in UKEF's insured turnover in the year to March 2012 was disappointing. UKEF provided strong support for aerospace but there was a marked fall in its industrial business. In a similar period, European ECAs⁹ showed average increases of 17%, while US Ex-Im rose 34%. UKEF's product mix is similar to the world average. BExA welcomes the steps being taken towards a solution for medium and long term liquidity.

Table 2: 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/ Backstop refinancing scheme	Investment insurance	Bond support scheme	Unfair calling insurance	Letter of credit guarantee scheme	Working capital facility	Score (out of 10)	
											ECGD	All ECAs' average
July 2010	✗	✓	✓	✗	✗	✓	✗	✓	✓	✗	5	7.11
October 2011	✓	✓	✗	✗	✗	✓	✓	✓	✓	✓	7	7.28
September 2012	✓	✓	✗	✗	✗	✓	✓	✓	✓	✓	7	7.69

The need for UKEF in the current export environment

Trade Minister Lord Green is leading the implementation of the NEC. He is energetic in marshalling support for the cause, including speaking engagements, trade missions, and encouraging commercial entities and trade associations to produce new export guides. UK Trade & Investment (UKTI) helps companies to prepare for and have a better understanding of exporting and destination markets. Foreign & Commonwealth Office (FCO) commercial sections are noticeably more active. In 2011, ECGD introduced new short term products, rebranded itself 'UK Export Finance' and started to re-engage with SMEs and MSBs and is active in encouraging them to seek opportunities in higher growth destinations. There is awareness that SMEs and MSBs need extra help because they do not have the luxury of learning from large teams of experienced exporters.

The NEC is a significant challenge. World trade¹⁰ in 2011 was \$18 trillion. The UK remains the 10th largest exporter with \$495bn of exports in 2011, up 20% on 2010 whilst imports were \$655bn. Our traditional export markets, the EU and US, are in slow growth mode. Our largest customer, Germany, the world's third largest exporter, also exports to slow-growing markets¹¹ but has sizeable trade with China.

OECD economies continue to "bump along" between recession and slow growth. Company finances are stretched and insolvencies are rising. Political tensions are heightened; nationalisation is on the agenda in some countries. Both the Arab Spring and the Euro crisis are ongoing realities. There could be major corrections to exchange rates, potential defaults, or the birth of new currencies.

Banks have not recovered fully since the 2008 banking crisis, and Basel III, requiring different evaluation of weightings of trade finance, as well as liquidity buffers, is looming. Deleveraging within the financial sector continues by a combination of raising new capital, selling assets and, most worryingly, reducing lending. SMEs are hardest hit since banks are being increasingly selective around client relationships. At the other end of the scale, high value projects often involving the development of natural resources, have sponsors who consider the best ECA support for financing of long term credits when making equipment and service sourcing decisions.

⁹ Where an ECA is run by a commercial credit insurer, we only took data relating to the ECA's activities.

¹⁰ <https://www.cia.gov/library/publications/the-world-factbook/geos/uk.html>

4.2. UKEF product mix analysis

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 for 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. The category 'direct lending' includes 'lender of last resort' facility or guarantee. The full results of our analysis can be found in Appendix 5.1.

Summary of results

UKEF has improved its product offering since 2010 in line with recommendations in previous BExA benchmarking papers. Having not introduced new products during the course of 2012 – ERF is not yet effective – UKEF's score remains a '7' whilst the average for 39 ECAs increased from 7.28 to 7.69. The most striking changes, year on year, were in relation to finance support. Short term working capital support facilities were provided by 24 ECAs in 2011 (including UKEF), and by 36 this year, an increase of 50%. In relation to medium and long term credits, 20 ECAs provided 'direct lending' schemes last year; in 2012 this rose to 29. These trends reflect tighter bank lending conditions and enhanced regulation.

Two key products are not offered by UKEF: a fixed interest rate mechanism (offered by the majority of competitor countries' ECAs); and a tender to contract foreign exchange risk cover (provided by 8).

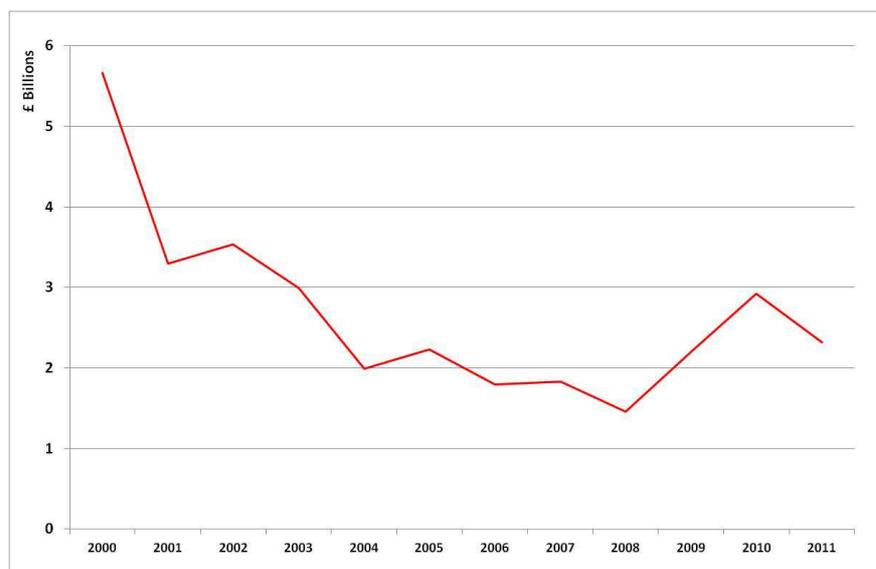
4.3. How did UKEF do in the last 12 months?

General trend

UKEF supported £2.318bn of exports in the year to March 2012, a 20% fall on the previous year. We recognise that UKEF's activities are demand-led, and accordingly the contraction in overseas markets will have had an impact on UKEF activity. However, BExA believes that the decline in volume shows the importance of raising awareness of UKEF amongst the UK's exporting community.

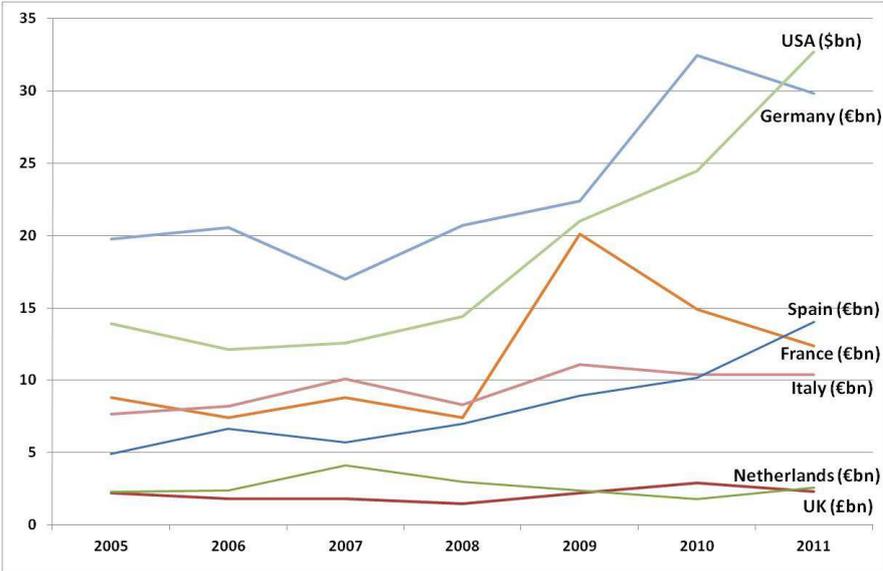
UKEF's proposed medium and long term finance support, the £5bn ERF announced in July, is welcome indeed. Until now, the UK was in a minority for not providing liquidity support for buyer credits. This was a key recommendation in BExA's 2nd Benchmarking Paper. BExA will follow closely the implementation of the new facility and in particular its potential to support exports by SMEs and MSBs.

Graph 1: Evolution of UKEF business volume since 2001



The Government recognises the key role that exporters can play in rebalancing the wider UK economy, and is motivated to improve support, but it will take time to catch up on a lost decade of disengaged Government. BExA reiterates the need for a **concerted** and **ongoing** push from all quarters of Government if the goals of the NEC are to be achieved.

Graph 2: Comparison of selected ECAs' business volumes since 2005

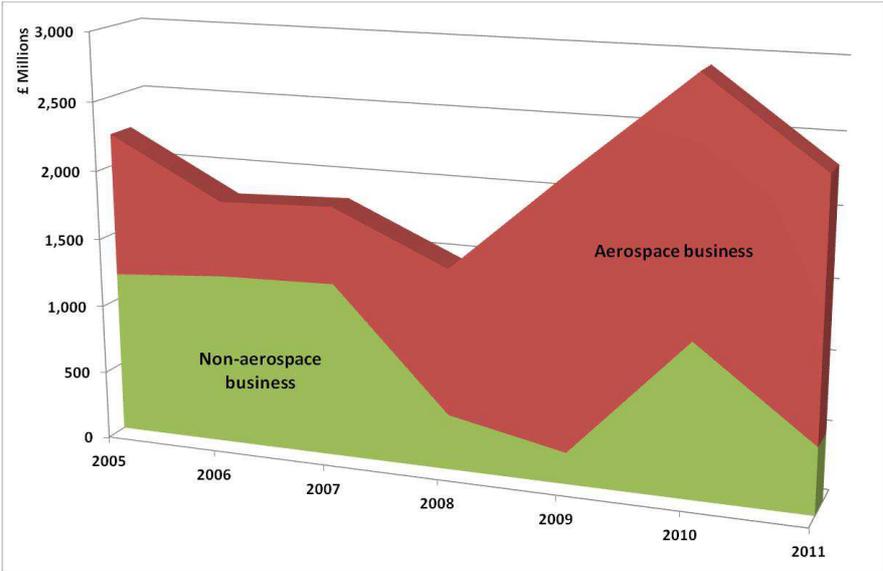


The complete table of the 39 ECAs' numbers can be found in Appendix 5.2.

4.4. UKEF portfolio sector analysis

UKEF's vital support for the UK-manufactured wings and engines of Airbus aircraft continues at the same level as for 2010-11. There is however a worrying decrease in support for non-aerospace business.

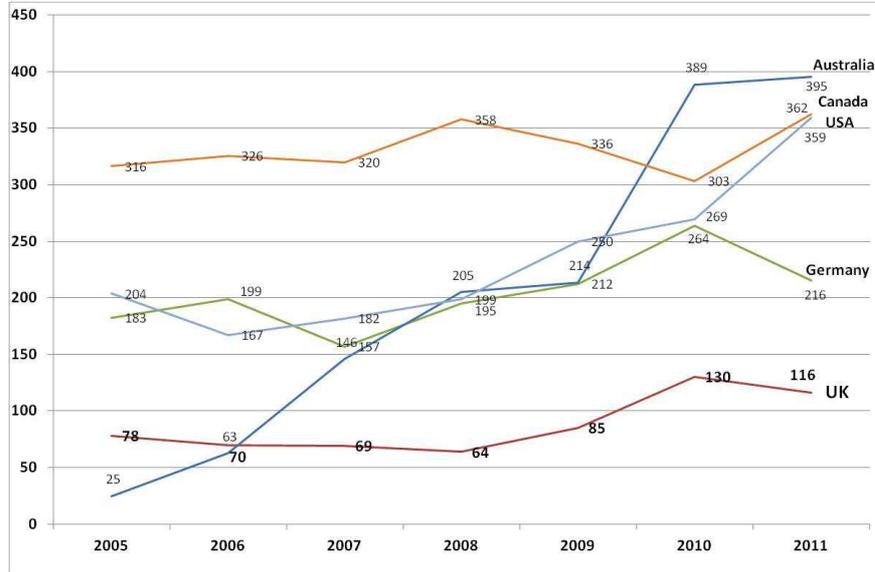
Graph 3: UKEF's business volume related to aerospace sector vs other sectors



4.5. Relative impact (value for money) of UKEF

We measure the value-for-money by calculating the business generated per unit of operating costs. UKEF generates £116 of export orders for each £1 of operating costs and at no cost to UK taxpayers¹².

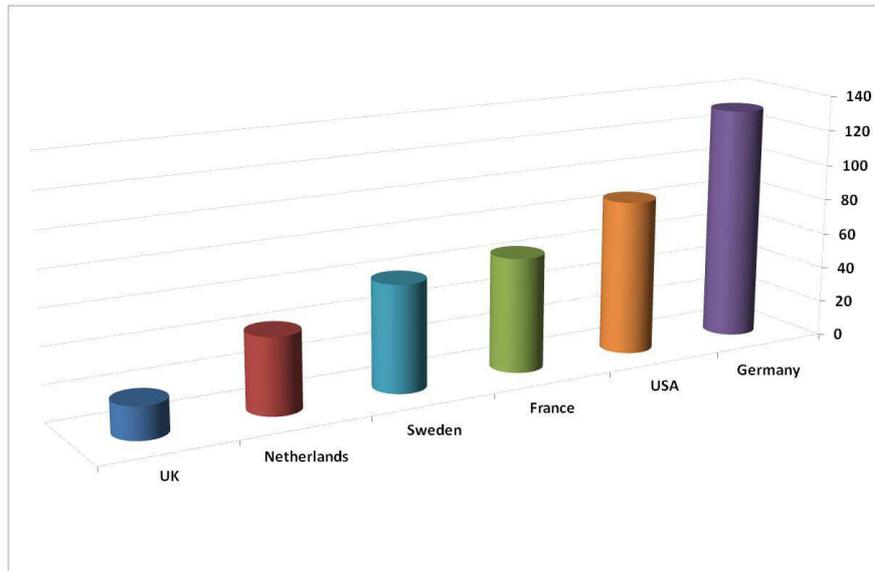
Graph 4: Selected ECAs' ratio of generated business volume vs operating costs



Reduced turnover has led to lower productivity at UKEF. Other ECAs are notably better: Australia, Canada and USA are in the range 300/400-to-one. Many ECAs are not transparent in relation to operating costs, none-the-less, it seems UKEF is not so effective in terms of using its resources.

We compared the manpower deployed by other ECAs (Graph 5). With several hundred employees each, Coface (France), Euler Hermes (Germany) and US Ex-Im generate very different business levels.

Graph 5: Some OECD ECAs' generated business volume per employee (in \$m)



¹² Since 2001, first year of publication of its accounts, UKEF's premium income has always been higher than its operating costs (figures excluding claims and recoveries).

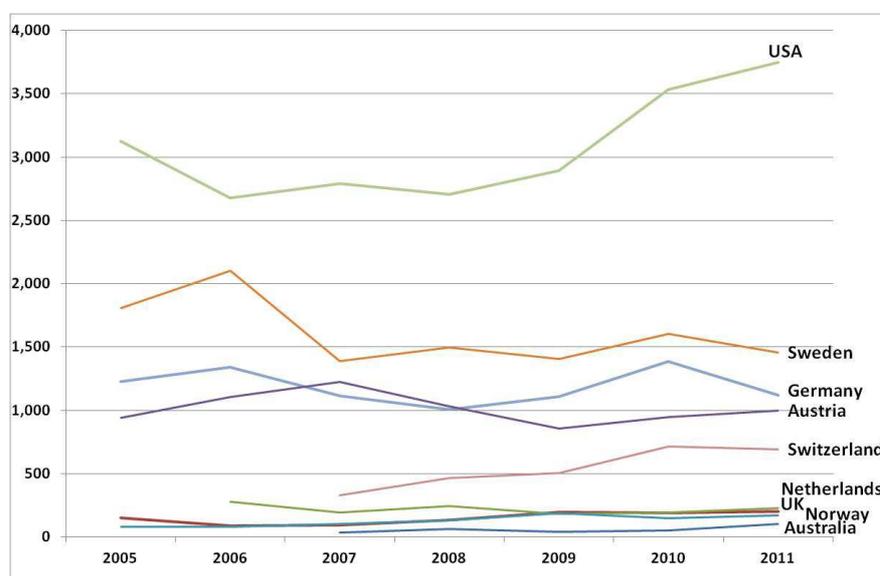
UKEF now has fewer than 200 staff. It reduced headcount significantly during the 'noughties' to align its operations to a falling demand for its services, releasing a number of highly regarded long serving staff. This resulted in a loss of knowledge and experience. The onset of the financial crises in 2008, and consequent economic downturn, has led to increased demand for ECA support, yet staff numbers at UKEF decreased from 238 in 2008 to 187 in 2012 despite a wider remit: UKEF has now to distribute its short-term products to SMEs and MSBs. This issue will intensify as senior underwriters reach retirement.

4.6. UKEF's engagement with SMEs and MSBs

UKEF support for SMEs or MSBs-led deals has again been disappointing. In 2011-12, UKEF supported 18 exporters via the SME-orientated short term products introduced in 2011, generating £93m of exports.

One measure of SME and MSB support is the number of policies issued. UKEF issued 204 policies in 2011-12 year while many of its peers issued significantly more facilities: 1,000 for OeKB (Austria), 1,122 for Euler Hermes (Germany), 1,458 for EKN (Sweden), and 3,751 for US Ex-Im (of which 3,247 were for small businesses). Graph 6 below illustrates this disparity in UKEF support for SMEs and MSBs when compared to its peers, particularly US, Germany and Sweden.

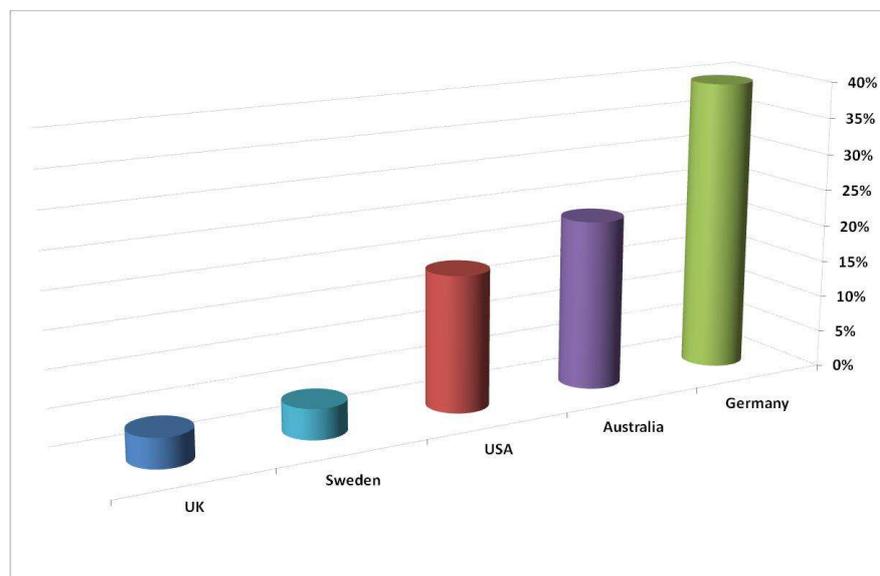
Graph 6: Number of issued guarantees/policies for selected ECAs since 2005



Whereas in Germany or France, exporters traditionally seek ECA support for non-OECD sales, this is not the case for the UK where UKEF is relatively unknown, except by a handful of large capital goods exporters. BExA continues to hear anecdotally that local bank branches are unaware of UKEF products and their potential to help companies to win export orders. It is notable that 70% of applications received by Germany's Euler Hermes are from SMEs.

UKEF has been taking steps during 2012 to improve awareness by deploying regional EFAs and is paying brokerage on short term cover.

Graph 7: Supported business volume that is SME related vs Total business volume



We considered how easy it is to approach UKEF for support. The process is relatively ‘well oiled’ for larger companies but it is not likely to be for small businesses. Indeed it seems it could be quite a daunting task.

We compared the length of UKEF’s documentation for short term export credit insurance with that of EKN of Sweden, a highly regarded and comparable ECA to UKEF. Table 3 below summarises our findings.

Table 3: UKEF vs EKN documentation

	Application form		Policy wording	
	Number of pages	Number of words	Number of pages	Number of words
UKEF Export Insurance Policy (EXIP)	18	5,499	13	5,044
EKN Guarantee for trade receivables	5	2,223	12	4,597

Whereas the length of policy wordings from both UKEF and EKN are similar, there is a real difference between the application forms. The EKN application form not only uses fewer words but also has a simpler presentation, using spacing and boxes such that the task of completion does not appear arduous. By comparison, commercial insurers, in relying on national laws relating to insurance, bribery, fraud etc have simpler documentation. For instance, UK-based Ducreire Delcredere’s application form¹³ is 5 pages and has 722 words.

UKEF has complex wordings. Table 4 on following page compares UKEF’s wording regarding the claim waiting period for insolvency to that of EKN, the latter being in line with the simplicity provided by commercial insurers. For the UKEF wording, we extracted the relevant phrases only; to have included the entirety of the cross-references would have burdened our document.

¹³ http://www.ducroiredelcredere.co.uk/WebDuk/WebSite.nsf/web/Documentation_Contract+documents?OpenDocument

Table 4: Claim waiting period definition

UKEF Export Insurance Policy (EXIP) –	EKN Guarantee for trade receivables
<p>2.1 If the Insured sustains a loss as a result of: (a) the failure of the Purchaser to pay any Sum Due under the Contract for a period of six months after the Due Date; ... UKEF will, subject to Clause 2.2 and 2.3 and the other provisions of this Policy, pay to the Insured the Specified Percentage of the amount determined in accordance with Clause 3. The period of six months in Clause 2.1(a) shall be reduced so as to expire on the date of any intervening court order falling within Clause 2.1(c) which prevents the Purchaser from paying the Sum Due.... 2.1 (c) (i) any act, decision or legislative or administrative measure of the government or courts of any country.</p>	<p>2.6 The waiting period is three months and is calculated from the due date of the guaranteed claim. No waiting period applies if the buyer is insolvent.</p>

5.1. ECAs product ranges¹⁴

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/Back stop refinancing	Investment insurance	Bond support scheme/issuance	Unfair calling insurance	Letter of credit guarantee scheme	Working capital facility	Total
United Kingdom	UKEF	Yes	✓	✓	✗	✗	✗	✓	✓	✓	✓	✓	7
Australia	EFIC	Yes	✗	✓	✓	✗	✓	✓	✓	✓	✓	✓	8
Austria	OeKB/OeEB/Exportfonds	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	Yes	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	9
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	ODD/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
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
<i>Total countries providing this product</i>			38	39	24	6	29	34	34	30	30	36	

5.2. ECA volume trends¹⁴

Country	Export Credit Agency	2005	2006	2007	2008	2009	2010	2011	Unit	Currency
UK	UKEF	2,230.0	1,798.0	1,830.0	1,460.0	2,206.0	2,924.0	2,318.0	m	GBP
Argentina	BICE	256.0	395.0	463.0	610.5	635.7	786.5	n.a.	m	USD
Australia	EFIC	116.3	269.7	554.4	369.2	576.5	971.3	593.1	m	AUD
Austria	OeKB	5,505.0	8,714.0	12,316.0	12,063.0	5,160.0	3,869.0	4,658.0	m	EUR
Belgium	ONDD	12,317.0	14,671.0	19,866.0	28,163.0	19,235.0	22,575.0	n.a.	m	EUR
Brazil	BNDES	47,100.0	52,300.0	64,900.0	92,200.0	137,400.0	168,400.0	139,700.0	m	BRL
Bulgaria	BAEZ	304.5	234.8	292.9	319.2	354.4	443.2	533.3	m	BGN
Canada	EDC	57,544.0	66,091.0	70,022.0	85,819.0	82,769.0	84,616.0	102,819.0	m	CAD
China	Sinosure/Eximbank	21,213.00	33,807.00	43,409.00	67,679.00	119,853.00	201,814.00	257,419.00	m	USD
Croatia	HBOR	1,445.0	2,216.0	2,312.0	1,701.0	2,500.0	2,150.0	1,700.0	m	HRK
Czech Republic	EGAP/CEB	41,364.0	49,833.0	69,415.0	63,513.0	86,909.0	110,987.0	78,766.0	m	CZK
Denmark	EKF	12,700.0	12,550.0	8,970.0	10,192.0	13,700.0	9,000.0	13,900.0	m	DKK
Estonia	KredEx	n.a.	n.a.	n.a.	n.a.			102.0	m	EUR
Finland	Finnvera	2,645.5	1,297.9	764.0	3,844.9	3,759.8	2,642.4	3,158.7	m	EUR
France	Coface	8,800.0	7,400.0	8,800.0	7,400.0	20,100.0	14,900.0	12,400.0	m	EUR
Germany	Euler Hermes	19,773.0	20,552.6	16,970.8	20,683.0	22,379.6	32,462.5	29,833.6	m	EUR
Hungary	MEHIB	267,251.4	237,013.6	244,679.1	109,504.6	79,741.5	106,004.3	n.a.	m	HUF
India	ECGC/Eximbank	526,060.3	664,728.9	713,434.8	588,307.8	682,057.5	756,033.3	921,407.3	m	Crores
Italy	SACE	7,668.0	8,233.0	10,084.0	8,300.0	11,100.0	10,400.0	10,400.0	m	EUR
Japan	NEXI/JBIC	14,187.2	16,532.2	11,213.1	12,420.8	11,564.1	10,348.8		bn	JPY
	NEXI	12,845.8	14,879.4	9,521.0	9,726.9	8,199.0	8,582.9	8,537.7	bn	JPY
	JBIC	1,341.4	1,652.8	1,692.1	2,693.9	3,365.1	1,765.9	n.a.	bn	JPY
Luxembourg	ODD	640.0	725.0	1,050.0	1,405.6	894.6	868.4	1,090.9	m	EUR
Malaysia	Exim Bank	1,577.0	1,759.0	2,699.0	2,493.0	1,788.0	1,700.0	5,100.0	m	MYR
Mexico	Bancomext	n.a.	n.a.	2,844.0	4,312.0	3,000.0	3,037.0	5,287.0	m	USD
Netherlands	Atradius DSB	2,300.0	2,400.0	4,100.0	3,000.0	2,400.0	1,800.0	2,600.0	m	EUR
Norway	GIEK	2,980.0	4,889.0	11,400.0	15,222.0	16,641.0	24,205.0	24,363.0	m	NOK
Poland	KUKE	1,295.9	1,460.4	1,476.8	1,787.5	676.7	1,437.3	1,578.8	m	USD
Portugal	COSEC	32.7	103.3	134.0	157.1	170.3	269.4	1,003.0	m	EUR
Slovak Republic	Eximbanka SR	2,371.8	3,128.3	3,174.6	4,241.0	3,084.6	3,562.6	3,670.3	m	EUR
Slovenia	SID Bank	388.7	402.2	530.2	914.0	952.5	1,440.1	1,203.4	m	EUR
South Africa	ECIC SA	n.a.	n.a.	n.a.	n.a.	n.a.	1,008.0	2,573.0	m	ZAR
South Korea	K-sure/Kexim	107,725.0	124,803.0	142,731.0	189,664.0	215,055.0	257,653.0	269,741.0	bn	KRW
Spain	CESCE	4,928.4	6,641.1	5,693.4	6,982.1	8,940.5	10,186.4	14,047.5	m	EUR
Sweden	EKN	27,204.0	39,555.0	23,943.0	32,905.0	80,169.0	113,730.0	63,111.0	m	SEK
Switzerland	SERV	1,513.0	2,527.0	3,537.0	2,904.0	3,529.0	3,588.0	3,321.0	m	CHF
Taiwan	Eximbank	34,212.0	40,054.0	42,092.0	44,932.0	64,483.0	70,969.0	81,758.0	m	TWD
Turkey	Eximbank	4,181.0	4,274.5	4,707.3	5,083.7	4,673.7	5,088.7	5,934.4	m	USD
USA	Ex-Im	13,936.2	12,150.5	12,569.4	14,398.9	21,021.1	24,467.8	32,727.1	m	USD

¹⁴ 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.

5.3. International framework

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 months¹⁵.
- 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)¹⁶.
- 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 website¹⁷.

¹⁵ <http://www.oecd.org/tad/exportcredits/>

¹⁶ <http://eur-lex.europa.eu/JOIndex.do>

¹⁷ http://www.kuke.com.pl/international_cooperation.php

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New Zealand	www.nzeco.govt.nz/
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Poland	www.kuke.com.pl/ and www.bgk.com.pl/
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Romania	www.eximbank.ro/
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Slovenia	www.sid.si/
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South Korea	www.koreaexim.go.kr/ and www.keic.or.kr/
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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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