



## Government support to exporters – in brief

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### 1 Policy context

The Government's policy on trade and investment has been set out in the *Trade and Investment for Growth White Paper* (February 2011) and *The Plan for Growth* (March 2011). These both declared that success in international markets was central to the aims of rebuilding and rebalancing the UK economy. To this end, they affirmed the Government's intention to provide support to exporters and inward investors in order to promote growth.

Direct support for UK exporters is provided predominantly through UK Trade and Investment, a joint non-Ministerial department of BIS and the FCO; and through UK Export Finance, the operating name of the Export Credits Guarantee Department, a Ministerial department overseen by the Minister for Trade and Investment.

### 2 UK Export Finance (UKEF)

#### Overview

UKEF supports UK exports by issuing insurance contracts to UK exporters, and by issuing guarantees to banks on loans to overseas borrowers, which in turn are used to purchase supplies from UK exporters. A full list of its products and services is contained in Appendix Table 1. The aim of UKEF is to facilitate export contracts by providing protection against the risks of exports not being paid for; it provides such support only where there is evidence that cover is not available from a private insurer. Its operating costs, of around £25m per year, are expected to be fully covered by the income it generates from the premiums paid on its insurance and guarantees. Its work over the four years to end 2014/15 is guided by its Business Plan, available online [here](#).

The table shows the guarantees issued (by value) and claim payouts in each year since 2003/04. In 2011/12, UKEF supported £2.3bn-worth of exports. The requirement to cover its own operating costs means the total amount of risk UKEF is willing to bear in each country is limited; full details are available on [this page](#) of its website.

#### Recent developments

In late 2011, UKEF announced an extension to its credit insurance policy to cover all sectors and sizes of company (previously, access by SMEs, and by exporters of

#### Payments made by UKEF

£ million

	Guarantees issued	Claims paid
2003/04	2,991	211
2004/05	1,995	87
2005/06	2,230	83
2006/07	1,798	61
2007/08	1,830	59
2008/09	1,460	44
2009/10	2,206	48
2010/11	2,924	30
2011/12	2,318	6

Source: UKTI annual reports

non-capital goods, had been restricted). It also launched three new short-term products that involve it taking credit and performance risks on UK exporters 'to a much greater extent than has been the case for many years'.<sup>1</sup>

Last year, the Government announced two schemes that would see it lending money directly (as opposed to merely guaranteeing private lending) to support UK exports; both schemes are to be overseen by UKEF. Specifically, in July 2012, the Government announced a £5bn **Export Refinancing Facility** that would provide loan finance directly to buyers of UK exports. In the 2012 Autumn Statement, the Chancellor announced a separate scheme, the £1.5bn **Direct Lending Scheme** that would provide loans up to £50m through UKEF for small firms to access growing export markets overseas where private finance for such purposes is unavailable.<sup>2</sup>

The Government has faced criticism from business and exporters groups that these schemes have been delayed;<sup>3</sup> this is in part due to the difficulties in making the schemes compliant with EU State Aid rules. UKEF began accepting applications for support under the Direct Lending Scheme on 2 September.<sup>4</sup> The Export Refinancing Facility is not operational at the time of writing.

### 3 UK Trade & Investment (UKTI)

#### Overview

UKTI works with UK-based businesses to help them export and encourages international businesses to invest in the UK. It offers exporters a range of services and support domestically and in their target market, including market research, the identification of local agents and distributors, participation in trade missions, product launches, lobbying for British business interests etc. As well as promoting exports, UKTI also works to encourage inward investment in the UK. A full list of its products and services is contained in Appendix Table 2.

UKTI is not an employer in its own right. For the majority of its human resource requirements it draws on civil service staff employed by one or other of its two parent Departments. In the UK, most of its staff are drawn from BIS, while most of its overseas staff are from the FCO.

Its work over the five years to 2016 is guided by its corporate strategy, launched in May 2011, called [Britain open for business](#). Its four main aims are:

- Targeting services at innovative and high growth SMEs to encourage more companies to export, and help existing exporters reach more high growth and emerging markets.
- Winning high value opportunities in overseas markets for UK businesses of all sizes.
- Delivering high quality inward investment, with a drive to market large British infrastructure and regeneration projects to foreign investors.

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<sup>1</sup> Export Credits Guarantee Department *Annual Report and Accounts 2011/12*, p.27

<sup>2</sup> [HC Deb 5 Dec 2012 c880](#)

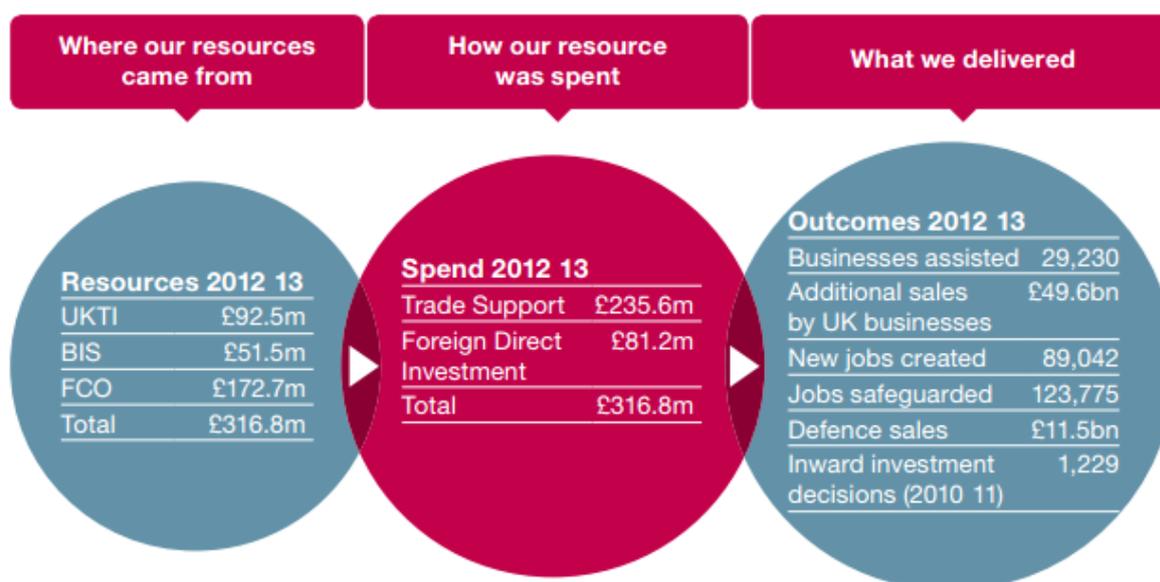
<sup>3</sup> See, for instance, International Business Times [UK exporters 'very disappointed' over mystery delay to £5bn finance schemes](#), 11 Apr 2013

<sup>4</sup> Detailed guidance is available on [this page](#) of the UKEF site.

- Building strategic relationships at the highest levels with the most significant inward investors, including overseas institutions such as Sovereign Wealth Funds, and with the UK's top exporters and major overseas buyers.

The Foreign and Commonwealth Office (FCO) have also published a seven point [Business Charter](#) to complement the UKTI Strategy. It outlines how the FCO's activities will help to support British businesses, in partnership with UKTI and other Government departments.

The figure below show UKTI's total resources, spending and outcomes in 2012/13. Of its £317m budget £236m (74%) was spent on trade support and promotion, and the remainder on encouraging foreign direct investment in Britain:<sup>5</sup>



Further information on UKTI's resources and staff numbers is shown in the table below. Since 2009/10, UKTI's budget has fallen by 7.7% in nominal terms and 13.3% in real terms, although this downward trend is expected to be reversed in 2013/14 (see subsequent section).<sup>6</sup>

**UKTI - financial and staff resource, 2007/08 to 2012/13**

	total resources (£m)	of which spent on...		staff numbers <sup>a</sup>
		trade support	inward investment	
2007/08	314	233	82	1,901
2008/09	330	254	76	1,979
2009/10	343	264	79	1,907
2010/11	332	256	76	1,862
2011/12	320	241	80	1,852
2012/13	317	236	81	1,882

<sup>a</sup> full-time equivalents

Source: UKTI Annual Report and Accounts (various edns)

<sup>5</sup> UKTI, [UK Trade & Investment Annual Report and Accounts 2012-13](#), HC 24, 27 June 2013, p 8

<sup>6</sup> Real terms figure calculated using HMT GDP deflator, available online [here](#).

## **Recent developments**

In September 2012, the Government awarded an additional £13 million to UKTI “to help 10,000 more British firms export”. Of this additional funding, £9 million will go directly towards “boosting trade opportunities” for small and medium sized businesses (SMEs). £2.5 million will be invested in “helping firms access and win some of the many high-value opportunities that UKTI has identified globally”, and a “further £1.5 million will be used for projects including support for UKTI’s work attracting vital inward investment into our economy”.

At the Autumn Statement in December 2012, the Government announced that UKTI’s budget would increase by £70 million in 2013/14 to help deliver more services to exporters and to “refocus UKTI activities on the highest value opportunities and emerging markets”. Among other things, UKTI expects to be able to double the number of companies given support towards exhibiting at trade shows; increase SME take-up of UKTI services; and increase the capacity of British Chambers to provide services to UK companies.<sup>7</sup>

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<sup>7</sup> UKTI, *UK Trade & Investment Annual Report and Accounts 2012-13*, HC 24, 27 June 2013, p.23

## Appendix table 1 – UK Export Finance products and services

	Export insurance policy	Cover against risks of non-payment by buyer or termination of contract due to circumstances beyond exporter's control
Credit/investment insurance	Bond insurance policy	For UK exporters, where a UK bank issues a bond on their behalf to an overseas buyer, or a counter-guarantee to a bank in the buyer's country, as a condition of an export contract. The policy protects the exporter against losses caused by the infair calling of the bond, or the fair calling of the bond due to certain political events
	Overseas investment insurance	Covers the risk of loss resulting from certain political events in connection with an investment made by an investor in the United Kingdom in an enterprise outside the United Kingdom.
	Buyer credit facility	A guarantee to a bank that makes a loan to an overseas buyer to finance the purchase of capital goods and/or services, worth at least £5 million from an exporter carrying on business in the UK.
Loan guarantees to banks	Supplier credit line financing facility	a guarantee to a bank either: (i) for a loan to an overseas buyer to finance the purchase of capital goods and/or services from an exporter carrying on business in the UK – known as a Supplier Credit Loan Facility (ii) to cover payments due under bills of exchange or promissory notes purchased by a bank from an exporter carrying on business in the UK, who has received them in payment for capital goods and/or services supplied to an overseas buyer – known as a Supplier Credit Bills and Notes Facility
	Lines of credit	Provides UK exporters of capital goods with a quick way to access finance made available by a UK bank to assist an overseas buyer to purchase UK exports.
Schemes available through banks	Bond support scheme	Under an export contract, the buyer may require the issue of an on-demand contract bond (for example, an advance payment, performance or retention bond) in order to assure itself that the exporter will meet its obligations. Before issuing such a bond, a bank will require an undertaking from the exporter to pay to the bank any amounts which the bank may pay out under that bond. The bank is therefore taking a risk on the exporter's creditworthiness under that undertaking. Where the bank is unsure about taking that risk, a guarantee from UK Export Finance for part of it may persuade the bank to issue the bond. In the case of an advance payment bond, the exporter's bank may require the exporter to deposit the buyer's advance payment with the bank as security for the exporter's undertaking to pay. This would deprive the exporter of the cashflow benefit of the advance payment. UK Export Finance can provide a guarantee to the bank of up to 80 per cent of the advance payment bond's value, which will reduce or remove the requirement to use the advance payment as security – thus freeing up funds with which to perform the export contract.
	Export working capital scheme	Partial guarantee to banks (up to 80%) of loans to exporters in order to fulfil specific larger export contracts
	Foreign exchange credit support scheme	Where the exporter's bank has provided a loan facility under the Export working capital scheme, and is also requested to enter into a forward foreign exchange contract in relation to the same contract, UK Export Finance will increase its guarantee of the working capital facility in order to enable the bank to enter into that forward foreign exchange contract.

**Appendix table 2 – UKTI products and services**

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Passport to export	Provides new and inexperienced exporters with the training, planning advice and ongoing support
Overseas market introduction service	A tailored service by UKTI overseas teams to access market and industry information, identify potential contacts or assist in planning an event. This service attracts a charge.
Export marketing research service	Offers support, advice and some grant funding to eligible companies wishing to research a potential export market.
Export communications review	Assesses the way companies communicate with overseas customers and makes recommendations for improvement.
Events and seminars	Held across the UK and the world. They include specific sector and market based activities.
Trade missions	Organised to help UK companies visit the marketplace they're interested in and talk face to face with prospective business partners. UKTI also organises missions into the UK to allow overseas delegates to meet with potential partners or investors.
Business opportunities	Free email service to businesses, highlighting leads in chosen overseas market.
Gateway to global growth	Planning, advice and support to help companies to build on their previous success and develop new overseas markets.

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