



UK Export  
Finance

# Introduction to UK Export Finance

## UK-Côte d'Ivoire Trade & Investment Forum

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# About UK Export Finance



- ▶ As the UK's export credit agency, we have nearly 100 years' experience in helping UK companies export their goods and services overseas
- ▶ We play a central role in the Government's ambition to ensure that no viable UK export fails for lack of finance or insurance, working with our colleagues in the Department for International Trade
- ▶ **We help UK companies and their clients acquire the funding required to *win, fulfil* and *get paid* for export contracts.**
- ▶ We provide insurance and other financial support which complements what is available from the private market
- ▶ We support exports of goods, services and intangibles
- ▶ We operate within the conditions set out under the OECD Arrangement on Officially Supported Export Credits



# Autumn Statement 2016: Renewed Commitment

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Doubled risk appetite limit (from £2.5bn → up to £5bn)



Increase country limits (maximum limit from up to £2.5bn → up to £5bn)



Local currency financing offer quadrupling from 10 to 40 currencies

*All this means £billions of additional government support capacity for exports and exporters.*



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# What we do and how we do it



# Our products: (i) win contracts

## Win contracts

### Buyer Credit Guarantees

Provision of guarantees against bank loans to overseas buyers of UK exports for up to 85% of the contract value, enabling the buyer to pay on extended credit terms, normally of between 2-10 years

### Direct Lending Facility

Provision of loans directly (working with a bank as an agent) to overseas buyers of UK exports for up to 85% of the contract value, enabling the buyer to pay on extended credit terms, normally of between 2-10 years

- ▶ Overseas buyers of UK exports may require funding in order to spread the costs of their purchases in line with revenue generation.
- ▶ This can make it difficult for exporters to win contracts without an offer of long-term financing.
- ▶ Where there is a lack of commercial bank appetite for the provision of such funding, UKEF can offer funding support to the buyer for their purchases.
- ▶ These products involve long term loans, where the buyer of UK exports is the borrower.



# Innovative support for project buyers

- ▶ **Our long-term financing solutions, in the form of direct loans or unconditional guarantees to banks, allow buyers to spread costs of purchases of capital goods and services from the UK**
  - ▶ Repayment terms of **2-10 years** (extending to 14 for project finance and 18 for renewable energy)
  - ▶ Support for **up to 85%** of total contract value, provided there is a minimum of **20% UK content**
  - ▶ Additional capacity to provide **direct lending** with fixed interest rates
  - ▶ Financing in a range of **local currencies**
  - ▶ **Flexibility** to meet buyers' requirements (including innovative products such as Islamic financing)
- ▶ **UKEF charges a premium for its support based on OECD rates and calculated on a case by case basis, taking into account factors such as credit risk and loan tenor**
  - ▶ Premium is paid upfront and can be funded from the loan to spread the cost
  - ▶ Premium is a one-off charge and is separate from the interest charged on the loan





# Local currency financing



- ▶ Australian Dollars ▶ Chinese Yuan ▶ Icelandic Krona ▶ Malaysian Ringgit ▶ Peruvian Sol ▶ South African Rand ▶ UAE Dirham
- ▶ Bahraini Dinar ▶ Czech Koruna ▶ Indian Rupee ▶ Mauritian Rupee ▶ Polish Zloty ▶ South Korean Won ▶ Ugandan Shilling
- ▶ Botswana Pula ▶ Danish Krone ▶ Indonesian Rupiah ▶ Mexican Peso ▶ Qatari Riyal ▶ Swedish Krona ▶ Uruguayan Peso
- ▶ Brazilian Real ▶ Egyptian Pounds ▶ Israeli new Shekel ▶ New Zealand Dollars ▶ Russian Ruble ▶ Swiss Franc ▶ Zambian Kwacha
- ▶ Canadian Dollars ▶ Hong Kong Dollars ▶ Kenyan Shilling ▶ Norwegian Krone ▶ Saudi Riyal ▶ Thai Baht
- ▶ Chilean Peso ▶ Hungarian Forint ▶ Kuwaiti Dinar ▶ Omani Rial ▶ Singapore Dollars ▶ Turkish Lira



# Innovative finance for Ghana



- ▶ UKEF has provided US\$ 400 million in finance for Ghana's Offshore Cape Three Points Project – \$310 million direct lending, \$90 million buyer credit
- ▶ The finance supports a GE Oil & Gas contract
- ▶ Following first gas production in 2018, the new fields are expected to continuously feed Ghana's thermal power plants for more than 20 years
- ▶ It is the first upstream oil and gas development transaction where a European ECA has supported a major hybrid finance structure comprising both project finance and reserve-based lending



# Our products: (ii) fulfil contracts

## Fulfil contracts

### Export Working Capital Scheme

A guarantee of up to 80% of the value of a working capital facility, to allow a bank to increase its capacity to lend to a UK exporter

### Bond Support Scheme

A guarantee of up to 80% of the value of a contract bond (eg. advance payment guarantees, performance or warranty bonds) to enable a bank to issue a bond without requiring as much of the exporter's cash as collateral, or to issue more bonds on behalf of the exporter

- ▶ Exporters need working capital to fulfil export orders, (eg) to buy raw materials, pay bills and pay staff.
- ▶ Additionally, buyers may require advance payment bonds or performance bonds, which often means exporters' capital can become held up in deposits required by their banks.
- ▶ In these instances, UKEF can help companies access the working capital needed to fulfil a contract, whilst also giving them confidence to take on more contracts and increase their turnover.



# Case Study: working capital support for Page Bros



- In 2015, Norwich-based Page Bros, one of the UK's biggest printers and distributors of academic journals and books, won a two year contract worth £3.3m to supply printed academic material to the Far East.
- The contract promised to open up new markets for Page Bros but the costs of buying the necessary supplies threatened to put a strain on its access to working capital
- UKEF agreed to help Page Bros' bank increase the company's working capital facility by guaranteeing half the amount for three months. This enabled Page Bros to pay its materials suppliers without putting a strain on its cashflow.

*"Our bank and UKEF worked together very well. We found the application process very straightforward and I'd recommend UKEF to any exporter. If you are planning to explore, make sure you have your finance in place first".*

*Craig Eastaugh, Managing Director, Page Bros*



# Our products: (iii) get paid

## Get paid

### Export Insurance Policy

Up to 95% insurance against the risk of not being paid, either due to default by the buyer, or due to specified political, economic or administrative events

### Bond Insurance Policy

Up to 100% insurance against a demand for payment under a bond, which is either unfair or caused by political events

### Letter of Credit Guarantee Scheme

A guarantee of up to 90% of the value of a letter of credit to enable UK exporters to get their letters of credit confirmed by their bank

- ▶ Businesses may be concerned about risks associated with exporting, such as:
  - ▶ Difficulty securing payment
  - ▶ Political risk relating to the overseas market(s)
  - ▶ Bonds being called unfairly
- ▶ UKEF can offer insurance to help manage these risks, even where the private market isn't able to.



# Case study: export insurance for ES Global Solutions



- In 2016, UKEF supported ES Global Solutions, a London-based company providing staging solutions for a range of events
- ES Global won a £1.2 million contract to provide equipment for the triathlon on the celebrated Copacabana Beach as part of the Olympics in Rio, Brazil. As this was a large contract, the company wanted to make sure its investment in the project was protected.
- UKEF provided reassurance in the form of export insurance, helping the company protect itself from any risk of non-payment



# Côte d'Ivoire

- ▶ An export contract must include at least **20% UK content** for us to consider support
- ▶ UKEF has appetite of up to **£250m** to support UK exports to the country
- ▶ We can support both **public and private** sector transactions and project financing, including PPP
- ▶ UKEF complements rather than competes with the private sector
- ▶ We can support exports of **services, intangibles**, as well as **capital goods**
- ▶ We operate within the conditions set out under the **OECD** “Arrangement on Officially Supported Export Credits”
- ▶ **Cost of Cover:**
  - ▶ We charge a premium for our support based on benchmark rates set by the OECD, and calculated on a case by case basis, taking into account factors such as credit risk and loan tenor
  - ▶ Premium is a one-off charge which is separate from interest charged on the loan, and can be paid up front or funded from the loan



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# Thank you

[www.gov.uk/uk-export-finance](http://www.gov.uk/uk-export-finance)

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