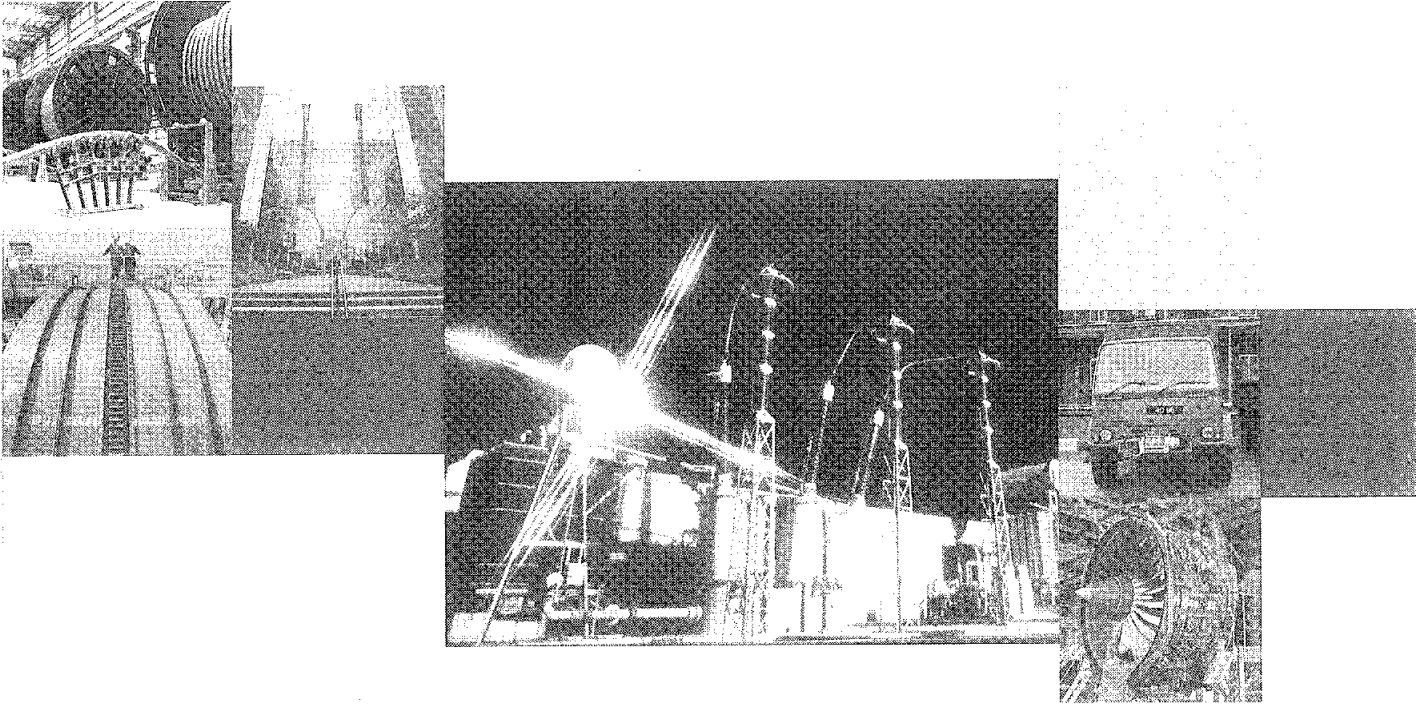




EXPORT CREDITS GUARANTEE DEPARTMENT



ECGD Departmental Expenditure Report



INVESTOR IN PEOPLE

This document is part of a series of Departmental Reports (Cm 5901 to 5931) which, along with the Main Estimates 2003-04, the document Public Expenditure Statistical Analyses 2003, and the Supplementary Budgetary Information 2003-04, present the Government's expenditure plans for 2003-2006.

The complete series of Departmental Reports and Public Expenditure Statistical Analyses 2003 is also available as a set at a discounted price.



ECGD Departmental Expenditure Report

Presented to Parliament by the Secretary of State for Trade and Industry and the
Chief Secretary to the Treasury by Command of Her Majesty, May 2003



EXPORT CREDITS GUARANTEE DEPARTMENT

London

PO Box 2200
2 Exchange Tower
Harbour Exchange Square
London E14 9GS

Telephone 020 7512 7000

Fax 020 7512 7649

Cardiff

Ground Floor
Lambourne House
Lambourne Crescent
Llanishen
Cardiff CF14 5GL

Telephone 029 2032 8500

Fax 029 2032 8600

Internet www.ecgd.gov.uk

© Crown Copyright 2003

The text in this document (excluding the Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be addressed to The Licensing Division, HMSO, St Clements House, 2-16 Colegate, Norwich, NR3 1BQ.
Fax: 01603 723000 or e-mail: licensing@cabinet-office.x.gsi.gov.uk

Contents

	Foreword	5
1.	Introduction	7
2.	ECGD's Aims and Objectives	8
3.	2002/03 Service Delivery Agreement Targets – Results	11
4.	ECGD's Structure and Environment	16
5.	Investment Strategies	18
6.	Modernising Government	19
7.	ECGD's Contribution to Sustainable Development	22
8.	Public Appointments	24
9.	Recruitment Practice	25
10.	Health and Safety Policy	28
11.	Annual Report and Accounts	29
	Annexes	
1.	ECGD Organisational Chart	30
2.	Table 1: ECGD Public Spending	31
	Table 2: Staff Numbers	31

Foreword

I am pleased to present this Departmental Expenditure Report for the Export Credits Guarantee Department (ECGD), the UK's official export credit agency. It gives me an opportunity to underline the role that ECGD plays in facilitating UK trade with world markets.

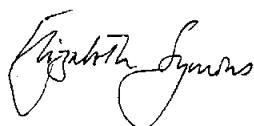
The Department has more than 80 years' experience, working closely with British firms, project sponsors, banks and buyers to help UK exporters of capital equipment and project-related goods and services compete for business in overseas markets. In 2001/02, ECGD issued £3.3 billion of guarantees and insurance to UK exporters and investors trading mainly with developing countries.

ECGD is committed to providing a first-class service to its customers. I want ECGD to continue to offer a service that puts it amongst the best export credit agencies in terms of innovation, flexibility and product quality.

ECGD continues to make good progress towards its goal of being established as a statutory Trading Fund by April 2005. A pilot Trading Fund, and a comprehensive consultation with stakeholders, will be launched in September 2003, or as shortly thereafter as practicable. Proceeding to Trading Fund status should provide a robust platform for ECGD to achieve both its business and financial objectives and secure its future as an important provider of support for UK exporters and investors. Moreover, this will give customers greater clarity and certainty of ECGD support.

A report by the National Economic Research Associates (NERA) on the costs and benefits of ECGD's activity was published earlier this year. NERA endorsed the view that a capitalised portfolio and risk-based pricing regime created with Trading Fund status would provide the most efficient and effective basis on which ECGD should operate. At the same time, the Government renewed its commitment to maintain the amount of business supported by ECGD at broadly the same level as now, and to reducing subsidy only on a multilateral, and not a unilateral, basis.

ECGD's latest Departmental Expenditure Report covers the Department's work over the last year, including performance against the targets in its Service Delivery Agreement and in continuing the implementation of the wide-ranging 2000 Review of ECGD's Mission and Status. It underscores the Department's commitment to offering crucial support to UK exporters competing in increasingly tough world markets.



The Rt Hon Baroness Symons of Vernham Dean
Minister for International Trade and Investment

1. Introduction

- 1.1 The Departmental Expenditure Report (DER) is the primary document through which departments set out their accountability to Parliament and the public. It provides a clear explanation of past performance, future plans and how resources have been and will be used. This Report sets out the structure and functions of the Export Credits Guarantee Department (ECGD), the environment in which it operates, the way it uses its resources, and its performance.
- 1.2 This is ECGD's second independent DER (prior to 2002, ECGD's Report formed part of the Department of Trade and Industry's Departmental Report).
- 1.3 Closely related to the DER is the Service Delivery Agreement (SDA). ECGD's SDA defines the Department's targets for the full financial year and the actions planned in order to achieve these targets. Mid-year performance against these targets is reported in the Autumn Performance Report. The full SDA for 2002/03 and the Autumn Performance Report can be found on the Department's website www.ecgd.gov.uk.

2. Aims and Objectives

- 2.1 The Export Credits Guarantee Department is the UK's official export credit agency. It is a separate Government department, reporting to the Secretary of State for Trade and Industry. It derives its powers from the 1991 Export and Investment Guarantees Act.
- 2.2 ECGD undertook a Mission and Status Review in 1999/2000 and a report was published in July 2000. The Review defined a new Aim for ECGD which is:
- “To benefit the UK economy by helping exporters of UK goods and services win business, and UK firms to invest overseas, by providing guarantees, insurance and reinsurance against loss, taking into account the Government's international policies.”
- 2.3 Utilising the methodology set out in the second NERA report¹, ECGD is in the process of implementing a formal system to measure its economic benefits to the UK economy. This benefit will be expressed as a net rate of return on capital employed on business underwritten during the financial year. The economic benefits assessment will also take account of the performance of previously underwritten business. In ECGD's Autumn Performance Report (in relation to the 2003/04 SDA) we will provide estimates for the previous financial year.
- 2.4 One of the key conclusions of the 1999/2000 Review of ECGD's Mission and Status (following an independent 1999 review of risk management in ECGD) was that ECGD should strengthen its risk management systems, in particular by introducing a capitalised framework informed by best commercial practice. This entailed, amongst other changes, the establishment of a Trading Fund, with major changes to ECGD's systems, processes and culture. At the start of 2002, the systems needed to operate a capital framework for managing risk were not yet fully in place and had yet to be adequately tested. Accordingly, it was decided that a Trading Fund should not be introduced on the originally scheduled date, 1 April 2002. During the first half of 2002, work in these areas was progressed sufficiently to enable the Secretary of State for Trade and Industry to confirm, on 22 July 2002, that ECGD would become a Trading Fund. On 17 December, the Secretary of State announced that work was well underway between ECGD and HM Treasury to agree the policy and objectives, financial and regulatory frameworks and operational details of a Trading Fund, with a view to an effective operational structure being put in place as soon as possible.
- 2.5 The aim is to complete this work by the summer of 2003, which would enable a public consultation on the form of the Trading Fund to be launched in September 2003 to ensure that the views of ECGD's customers and other stakeholders are fully taken into account. A pilot Trading Fund is also to be launched in September, or as shortly thereafter as practicable, in order to provide valuable operational

¹ In 1999/2000 National Economic Research Associates (NERA) produced an independent study into 'The Economic Rationale for the Public Provision of Export Credit Insurance by ECGD'. NERA have taken forward their study, and a further report, 'Estimating the Economic Costs and Benefits of ECGD', was published in 2003. Both reports are available on ECGD's website, www.ecgd.gov.uk.

experience. Together with responses to the consultation, this will inform the final decisions on a statutory Trading Fund framework. Subject to these decisions, it is planned to effect the formal establishment of the statutory Trading Fund by no later than April 2005.

- 2.6 In order to achieve the objectives in its Mission Statement, ECGD produces an annual Corporate Plan, which sets out the goals and the change agenda for the Department. The 2003/04 Corporate Plan introduced a new Strategic Framework and focused on the Business Strategy governing the way forward for ECGD in the coming years.
- 2.7 The Strategic Framework Business Goals placed the primary emphasis on ensuring ECGD continues to run a business and provides a good quality service to its customers. In order to operate more efficiently and meet the Business Strategy, the Department will undertake a number of key change projects as set out in the Development Programme.
- 2.8 The Development Programme will comprise:
- establishing a Business Strategy;
 - setting up a Trading Fund;
 - ensuring ECGD has robust systems ("Roadmap"); and
 - developing sound treasury management.

Other essential projects are:

- The People Programme – ensuring that ECGD has the appropriately skilled staff to operate the Trading Fund from April 2005; and
 - The International Strategy Programme – seeking to secure more robust financial disciplines on a multilateral basis.
- 2.9 ECGD operates in accordance with a set of Business Principles, which guide its practices and policies. The Business Principles encapsulate ECGD's approach to achieving its goals. They state that ECGD will:
- promote a responsible approach to business and will ensure its activities take into account the Government's international policies, including those on sustainable development, environment, human rights, good governance and trade;
 - provide a customer-oriented, efficient and professional service and be committed to continuous improvement;
 - be open and honest in all its dealings and will expect the same from others; and

ECGD Departmental Expenditure Report

- in developing its services, consult widely and take account of the legitimate requirements and expectations of its customers and other interested parties.

To implement the first of these principles, ECGD established, in January 2001, a Business Principles Unit (BPU). The BPU reviews the environmental, social and human rights aspects of all civil, non-aerospace projects for which ECGD support is requested to ensure that they comply with the relevant international standards.

2.10 In addition to these Business Principles which guide ECGD's everyday activities, specific parts of ECGD's operations are additionally guided by the following objectives:

- recovering the maximum amount of debt in respect of claims paid by ECGD in a manner consistent with the Government's policy on debt forgiveness;
- employing good management practice to recruit, develop and retain people needed to achieve the Department's business goals and objectives; and
- employing good corporate governance practice and ensuring that there are robust control systems in its operations.

3. 2002/03 SDA Targets - Results

- 3.1 ECGD's Service Delivery Agreement (SDA) for 2002/03 was published in September 2002 and a mid-year report on its performance against the SDA was published in December. Both documents are available on ECGD's website www.ecgd.gov.uk.
- 3.2 The following results are for the Targets agreed in the 2002/03 SDA:

Key Target 1

To achieve Financial Objectives set by Ministers.

Measures of Delivery

- i) For its insurance business underwritten since April 1991 ("Account 2 business"), ECGD is required to maintain, on a cumulative basis, reserves of at least 1.5 times its estimate of expected losses on amounts at risk under guarantee. This is referred to as the Reserve Coverage Ratio (RCR). The minimum RCR for business issued in-year is 1.4.
- ii) For Fixed Rate Export Finance (FREF) support, ECGD is required to maintain a non-negative Mark-to-Market (MTM) value on its Old Account 4 portfolio and such non-negative MTM value must be calculated inclusive of: the cumulative cash outturn in respect of the Old Account 4 portfolio since 1 April 2002; and no more than 7.5 per cent of any benefits in respect of refinancing undertaken by ECGD on the Old Account 4 portfolio since 1 April 2002 but less the cumulative value of Administration Expenses incurred by ECGD in respect of the Old Account 4 Portfolio since 1 April 2001.
- iii) To maintain a non-negative MTM value on its New Account 4 portfolio (including business in the pipeline) and such non-negative MTM value must be calculated inclusive of: the cumulative cash outturn in respect of the New Account 4 portfolio; and no more than 7.5 per cent of any benefits in respect of refinancing undertaken by ECGD on the New Account 4 portfolio but less the cumulative value of Administration Expenses incurred by ECGD in respect of the New Account 4 portfolio. This obligation is subject to the following exception: when calculating the MTM value of the New Account 4 portfolio, ECGD is not required to include business deriving from commitments entered into by ECGD between 1 April 2001 and 31 March 2002 (inclusive) in respect of support for Airbus sales under the terms and conditions set out in the Large Aircraft Sector Understanding contained within the OECD Arrangement for Officially Supported Export Credits (LASU). This exception is subject to the condition that ECGD must bear, from its Account 2 Reserves, the first US\$10 million worth of any costs (defined for the purposes of this condition to mean those costs to the Exchequer that arise from ECGD providing FREF for LASU business committed between 1 April 2001 and 31 March 2002 (inclusive) on terms not consistent with the FREF financial objective), and thereafter 50 per cent of any further costs that may arise, subject to an overall ceiling of US\$15 million.

- iv) For the period 7 May 2002 to 31 December 2002 (inclusive) the Treasury has waived the condition of ECGD having to maintain a non-negative MTM value on its Old Account 4 Portfolio whilst ECGD develops its systems to properly measure the financial outturn of its Old Account 4 Portfolio.

Outcomes

- i) The cumulative RCR (as at 31 December 2002) was 1.84. This is above the Ministerially-agreed target of 1.5.

The in-year RCR generated by premium earned under effective business for the first nine months (April to December) of financial year 2002/03 amounted to 1.69, above the Ministerially-agreed minimum of 1.4. ECGD expects to continue to meet this target, and is currently forecasting an in-year RCR of 1.49 for the financial year as a whole.

- ii) This is a very complex book. In order to be able to produce a robust valuation ECGD, with the assistance of external advisers, has undertaken a programme of work to collect all the necessary data and to improve all of its valuation and risk management systems. Once this work is complete, an appropriate financial framework will be agreed with HM Treasury.
- iii) With the agreement of HM Treasury, Account 2 Reserves have been used to achieve a non-negative MTM value on the new Account 4 portfolio. For the period from 1 April to 30 August 2002, the target was therefore met.
- iv) With the consent of HM Treasury, the period of the waiver was extended to 15 April 2003.

Key Target 2

To promote an international framework that allows UK exporters to compete fairly by limiting or eliminating all subsidies and the adoption of consistent practices for assessing projects and countries on a multilateral basis.

Measures of Delivery

- i) Agreement to establish greater transparency on assessment, pricing and outturn of buyer risk in the Organisation for Economic Co-operation and Development (OECD) is implemented by 31 December 2002.
- ii) The terms of the Arrangement are strengthened to ensure that the World Trade Organisation (WTO) subsidy exemption clause applies to Pure Cover. (This performance target is significantly determined by progress on the ongoing Ministerially agreed Doha exercise to update the WTO Subsidies Code).
- iii) To facilitate the review of, and draw the USA into, the Agreement on Common Approaches to the Environment within the OECD by 31 March 2003.

Outcomes

- i) OECD Premium Experts are now engaged on a major buyer risk case study pricing exercise to compare all member country risk assessment and pricing practices in respect of a representative range of buyers in all OECD-classified country risk categories. This study is being supplemented by peer group presentations to examine different risk assessment and pricing practices.

OECD Premium Experts are also now collecting data on 'all-in' pricing of underwritten business (i.e. reflecting the totality of country/sovereign risk and buyer risk for transactions of two years credit and over). This will generate long-term comprehensive data on buyer risk pricing and associated outturn (i.e. including claims, recoveries etc).

The 'all-in' pricing reporting regime was introduced as a means of testing, over a 5-10 year period, ECAs' collective compliance with the break-even objective and disaggregated outturn on country and buyer risk pricing.

Although the peer review of buyer risk assessment and pricing was agreed on an entirely without prejudice basis, the majority of OECD ECAs have expressed a strong commitment to taking forward this work with the hope that ECA buyer risk pricing regimes will gradually converge and show greater use of common risk assessment practices.

- ii) The UK, together with other EU Member States, is preparing input to the WTO Negotiating Group on Rules to seek to expand the WTO Subsidies exemption clause to include Pure Cover. This objective is part of a nexus of wider issues addressing the needs of developing countries under the Doha Ministerial agenda.

The OECD Arrangement is also presently being redrafted with the explicit purpose of enhancing user-friendliness, improving consistency with regard to the WTO Subsidies code and increasing transparency vis-à-vis non-OECD Participants.

- iii) The UK participated in discussions on progress implementing the Recommendation on Common Approaches to the Environment in September 2002, and was fully supportive of USA involvement in those discussions. It is hoped that the positive experience gained by all ECAs in implementing the 'Common Approaches', as revealed in these discussions, will facilitate sufficient changes to be made to the Recommendation to persuade the USA to adopt it at the time of the formal review in the latter half of 2003.

Key Target 3

To provide an efficient, professional and proactive service for customers which focuses on solutions and innovation.

Measures of Delivery

- i) The percentage of UK capital goods exports supported by ECGD being at least maintained over time, provided this is consistent with ECGD's Aim and Financial Objectives.
- ii) Service delivery targets set out in ECGD's Customer Charter are achieved, performance against which is reported quarterly in ECGD News.

Outcomes

- i) ECGD's business levels in 2002/03 are in line with forecast levels and may well exceed those for 2001/02. Indications, therefore, are that ECGD's share of its relevant market is being maintained.
- ii) Service delivery targets as set out in ECGD's Customer Charter, and reported quarterly in ECGD News, are being met, save that for "Provision of Cost Indications within four working days". Performance in this measure, whilst slowly tracking upwards, continues to fall short of target. Corrective measures are in hand including increased authorities for customer contact staff, streamlined decision-making procedures and greater internal accountability for failures.

Key Target 4

To reduce concentration of risk prevalent in the ECGD portfolio of business, by working with the private sector.

Measures of Delivery

Subject to market potential and satisfaction of value for money criteria:

- i) Risk transfer to the private sector of some existing contingent liability via Active Portfolio Management (APM);
- ii) Have investigated the viability of, and introduced if appropriate, a new product, whereby the private sector can take risk at the outset under ECGD guarantees, by March 2003.

Outcomes

- i) ECGD has been discussing with the private markets proposals for transferring to them some of its contingent liability risk in those countries where such risk is most concentrated. It has considered responses from the reinsurance market, and proposals for the use of capital market instruments made by investment banks. Following difficulties with the procurement process to obtain these proposals, ECGD is intending to take further soundings from the markets before taking a final decision on the way forward, including implementation of the proposals.

- ii) It is important that ECGD delivers what the market requires. ECGD is continuing its discussions with banks and exporters in order to gain a proper understanding of the nature of the private sector's appetite for risk sharing. This will include both the option of a product-based approach and one based on a case-by-case method.

4. ECGD's Structure and Environment

4.1 Achieving Departmental Objectives

- 4.1.1 The structural reorganisation (see Annexes 1 and 2 for Organisational Chart and breakdown of established posts) which ECGD effected in September 2001 has enabled ECGD to more readily understand and satisfy the business needs of its customers. Stronger relationships have been established, with existing and prospective customers now dealing with the same team of underwriters regardless of where in the world they are pursuing business. Work is also progressing on the development of a full customer relationship programme. It has also proved possible, as a result of the establishment of a separate division with responsibility for all post-issue monitoring, to manage the existing stock of guarantees more actively, with an eye to capital as well as loss minimisation. This has enabled ECGD to improve its risk management and better meet its Aim and financial objectives.

4.2 Monitoring and Risk Management

- 4.2.1 ECGD's Management Board monitors and reviews the Department's performance against the Corporate Plan, particularly in relation to ECGD's Business Goals. The Management Board receives monthly reports on ECGD's financial performance, new business activity, the management of the existing portfolio of guarantees, and the control arrangements relating to future business. A Programme Board also exists to monitor the Development Programme.
- 4.2.2 In addition, risks at strategic, programme, project and operational levels, which could impact on the satisfactory delivery of the key objectives in the Corporate Plan, are regularly reviewed and managed. Improvements to ECGD's operational risk policies and procedures are being considered following a review of these procedures by ECGD's Internal Audit and Assurance Division and KPMG, and in response to the Cabinet Office Strategy Unit's report "Improving Government's capability to handle risk and uncertainty". A risk improvement team has been established to consider and implement the necessary changes.
- 4.2.3 Performance against Service Delivery Agreements is monitored on an ongoing basis.
- 4.2.4 The Management Board is responsible for determining whether any changes to plans, targets and resources should be made in the event that required performance is not being achieved.

4.3 External Environment

- 4.3.1 ECGD's Ministerially-agreed Aim and financial objectives determine its policies. Within these requirements, ECGD plays a key role in the Government's export strategy, and works closely with British Trade International and other Government departments with an interest in overseas trade.
- 4.3.2 ECGD works with UK capital goods exporters and UK investors to help them win business in emerging markets. To this end, ECGD also has discussions with overseas buyers of capital equipment to ensure that, wherever possible, their needs

are met. ECGD provides guarantees to UK banks who then provide the funds to the overseas buyers of UK equipment.

- 4.3.3 Beyond the UK, ECGD is active in shaping the international environment in which it operates. The Chief Executive of ECGD is currently the President of the Berne Union, an organisation that works for international acceptance of sound principles of export credit insurance and foreign investment insurance. The Union has 51 members from 42 countries and locations and provides a forum for these members to exchange information, experience and expertise.
- 4.3.4 ECGD is also a member of the Organisation for Economic Co-operation and Development (OECD) Export Credits Group. Members continually work towards a competitive international 'level-playing-field' between exporters. The work of the OECD addresses areas such as: common environmental standards, elimination of subsidy, regulation of tied-aid through a set of disciplines, implementation of the OECD Bribery Convention, and sustainable development initiatives.
- 4.3.5 ECGD has agreed arrangements with a number of other Export Credit Agencies (ECAs). Over the last eight years, ECGD has negotiated Co-operation Agreements with 25 countries, 14 of which facilitate reinsurance. These Agreements enable ECGD to provide support for organisations that conduct business in the UK and source goods and services from a range of countries. The non-UK content element of a deal can be reinsured with other ECAs, allowing ECGD to provide a single financing package to the UK exporter.

5. Investment Strategies

- 5.1 ECGD has in place a programme to reduce the cost of FREF support through refinancing arrangements agreed with banks. This involves replacing bank funds with cheaper funds raised in the capital markets by the Guaranteed Export Finance Corporation plc (GEFCO), a private sector funding vehicle managed by Lloyds TSB Bank plc and established as a charitable trust. Since 1999, ECGD has carried forward its refinancing programme using public funds Voted by Parliament, since these are substantially cheaper than funds raised by GEFCO in the capital markets. The loans to GEFCO, which is outside ECGD's accounting boundary, are shown as assets in ECGD's Balance Sheet.
- 5.2 During 2002/03, GEFCO has remained the conduit for these funds to the banking sector. The total net outstanding balance on these loans at 31 March 2002 was £2.98 billion. A further £1 billion is expected to be used to refinance more loans during 2002/03 and, after taking into account repayments of principal, the net loans to GEFCO for refinancing purposes were expected to reach £3.54 billion by 31 March 2003.
- 5.3 HM Treasury has decided, in light of the Government's spending priorities, to restrict refinancing in 2003/04 to funding commitments already entered into (£115 million). Additional funds for new refinancing loans will not be made available for the time being. The position will be kept under review. However, with new FREF loans operating on a break-even basis, any new refinancing would be allowed only where there is a clear economic rationale for doing so and it is consistent with the FREF break-even objective as agreed between ECGD and HM Treasury Ministers.

6. Modernising Government

6.1 ECGD's Action Plan is based on the five areas for modernisation identified in the Government's White Paper:

6.2 Policy Making

6.2.1 During the last 12 months ECGD has continued to plan its business, including its Corporate Plan, on the basis of the key principles of the White Paper. Considerable progress has been made in implementing the conclusions of the 1999-2000 Review of ECGD's Mission and Status.

6.2.2 ECGD has continued to forge closer links with British Trade International and to maintain a close dialogue with Non-Governmental Organisations (NGOs) and other stakeholders. Consultation with ECGD's customers (and other interested parties) takes place on a broad range of issues. For example, there is to be a further consultation in relation to the Trading Fund, and the results of the consultation will help to inform the final decisions of Ministers on how the proposed Trading Fund should be established.

6.2.3 ECGD continues to play a proactive role in both the EU and the OECD, taking forward export credit issues including WTO, development and environment agendas. ECGD has also been actively engaged in the UK's work to advance the OECD's reform programme.

6.2.4 Given ECGD's unique position as a provider of financial services from within the framework of a Government department, it is vital that it draws upon private sector expertise in its work. In the last year, such expertise has been sought in relation to the establishment of a major risk transfer programme and in a number of other areas. In addition, National Economic Research Associates (NERA) were commissioned to produce an independent study into ECGD's net benefits to the UK economy.

6.2.5 ECGD's corporate governance was strengthened in 2001, through the appointment of non-Executive Directors to ECGD's Management Board, and the role and membership of the Export Guarantees Advisory Council (EGAC) were amended so that it now provides advice on the policies and principles needed to fulfil ECGD's Mission.

6.2.6 Reviews of ECGD's financial reporting and management information systems were carried out during 2002 and improvements have been implemented based on their conclusions. In particular, the monthly financial report to ECGD's Management Board has been revised and a new system for reporting information on financial performance to HM Treasury has been introduced. ECGD has also made enhancements to its data management systems. In addition, ECGD is embarking on a major project to replace its information systems architecture. Since January 2001, ECGD has conducted its business in accordance with its published Business Principles and its performance is monitored against these. In addition to quarterly reports, the Export Guarantees Advisory Council has received several of the case impact analysis reports produced by ECGD's Business Principles Unit (BPU). ECGD's Internal Audit and Assurance Division has also assessed the BPU's operations to ensure compliance with written procedures.

6.3 Responsive Public Service

- 6.3.1 In July 2002, the Secretary of State for Trade and Industry announced that ECGD would offer greater clarity and certainty in its customer offering. Work is now well underway to deliver tangible improvements to that end.
- 6.3.2 Since its introduction in September 2001, ECGD's more customer-focused organisational structure has made good progress in delivering an improved service across a range of industry sectors. Complementing this, a New Customer Service Team was launched in November 2002. This Team's objective is to provide a user-friendly first point of contact for customers new to ECGD and, perhaps, to exporting in general. Specifically, it should also be of benefit to Small and Medium-Sized Enterprises (SMEs), to whom the UK's export support mechanisms might at first sight appear daunting.
- 6.3.3 In addition to its quarterly case review surveys, ECGD introduced, in early 2003, a new annual, independent customer survey. These ongoing surveys will allow ECGD to monitor and respond to changing customer needs.
- 6.3.4 Following a public consultation in 2002, ECGD will, from April 2003, be streamlining its case impact analysis process to reduce the burden on its customers without reducing the vigour of its analysis.

6.4 Quality Public Service

- 6.4.1 To ensure that it delivers in accordance with customers' expectations, ECGD's Customer Charter is reviewed on an ongoing basis. The Customer Charter sets out high standards for customer service, and corrective action is taken as a priority where under-performance occurs, including increased authorities for customer contact staff, streamlined decision-making procedures and greater internal accountability for failures.

6.5 Information Age Government

- 6.5.1 ECGD's current IT systems are showing their age. At the same time the business increasingly demands more reliable and timely information to maintain the highest quality service to Ministers and customers. ECGD is planning to establish a new set of integrated operational business systems over the next three years. ECGD has continued to enhance its website and, in line with its commitment to make more information available, has published a significant amount of information during the year which is available via the website. ECGD remains on target to meet the Government's general commitment to provide 100 per cent of services on-line by 2005. ECGD participates fully in the Government's Knowledge Network initiative.
- 6.5.2 ECGD is committed to making more information about its business available to all stakeholders. In November 2002, ECGD's Publication Scheme went live as required by the Freedom of Information Act 2000. The purpose of the Publication Scheme is to ensure that a significant amount of information is made available, without the need for a specific request. A number of pieces of information have for the first time been made available systematically, including ECGD exposure figures on a

country-by-country basis, terms of reference of ECGD's formal internal committees and corporate governance policy statements.

6.6 Valuing Public Service

- 6.6.1 In recognition that the quality of the services provided by ECGD depends upon the dedication, skills and professionalism of its staff, an overall strategic personnel objective is included in ECGD's Mission Statement.

7. ECGD's Contribution to Sustainable Development

- 7.1 ECGD's Business Principles include a commitment to take account of the Government's objectives on sustainable development. This is being achieved through the following activities.
- 7.2 Since January 2001, ECGD has operated a rigorous impact analysis process to ensure that the environmental, social and human rights impacts of all the projects it supports are compatible with standards used by multinational financial institutions, such as the World Bank Group. The analysis covers not only the exported goods themselves but also the overseas projects for which they are destined.
- 7.3 This analysis process is consistent with the "Common Approaches on the Environment and Officially Supported Export Credits" being implemented by 24 of the 26 members of the OECD Export Credits Group. In 2003, these members will be reporting on their experience and reviewing the approaches with a view to enhancing them in the light of this experience.
- 7.4 The Export Guarantees Advisory Council, whose membership includes experts on sustainable development, monitors ECGD's compliance with its Business Principles. The Council has the right to review all issued cases and reports publicly on ECGD's performance.
- 7.5 In September 2002, the Prime Minister announced the ECGD/DTI Renewables Initiative. ECGD will make available, from April 2003, cover for at least £50 million of exports each year for projects in the renewables sector that meet its minimum risk standards. In addition, ECGD is working with Renewables UK and export promoters in DTI and TPUK to identify opportunities for the provision of cover to exporters and investors in the renewables sector.
- 7.6 The UK Government has played a major role in initiating debt forgiveness/relief for poor countries and is keen to ensure that they do not develop new unsustainable debt burdens. There is now an OECD agreement that ECA support for Heavily Indebted Poor Countries (HIPCs) should meet Productive Expenditure criteria: the export/investment is expected to assist in the social and economic development of the country without adversely affecting its underlying debt position. ECGD conforms to this and has extended it to apply to all countries eligible only for concessional loans from the International Development Association (IDA-only countries). As a result, for these countries, ECGD will support exports and investments only if they meet Productive Expenditure criteria.
- 7.7 Exports of defence equipment require an export licence and ECGD support is dependent on such a licence being issued. This ensures that the export of such equipment is consistent with the Government's wider policy on arms exports under the Consolidated EU and National Arms Export Licensing Criteria. Under the Productive Expenditure initiative, ECGD could only support the export of defence equipment to HIPC and IDA-only countries where they would contribute positively to development, e.g. by facilitating protection of fisheries or prevention of smuggling. ECGD has supported no exports of defence equipment to countries of HIPC or IDA-only status in the last five years.

- 7.8 ECGD provides its staff with the knowledge and skills to contribute to sustainable development in their day-to-day work. Specific training has been provided for case managers on the importance of sustainable development and on how to identify the potential impacts arising from projects. A dedicated Business Principles intranet site has also been set up. It provides a library of information on sustainability, social and environmental issues.
- 7.9 ECGD's Business Principles Unit also provides Departmental input for the "Framework for Sustainable Development on the Government Estate".

8. Public Appointments

8.1 The remit of the Export Guarantees Advisory Council (EGAC) is to provide advice on the principles that should guide ECGD's pursuit of its aims and objectives. The EGAC plays an active role in implementing and monitoring ECGD's Business Principles. Members of the EGAC have expertise in a number of areas, including small and medium-sized enterprises (SMEs), economics and developmental, environmental and corporate governance issues. The members are:

Chair:

- Liz Airey (Director, Harrison Lovegrove & Co Ltd)

Members

- John Armitt (Chief Executive Officer, Railtrack Plc)
- John Elkington (Chairman, SustainAbility Ltd)
- Professor Jonathan Kydd (Professor of Agricultural Development Economics, Imperial College)
- David McLachlan (Former Director of Group Credit Risk, NatWest Group)
- Professor Kate Phylaktis (Professor of International Finance, City University Business School)
- Martin Roberts (Senior Insurance Advisor, Financial Services Authority)
- Anthony Shepherd (Chairman and Chief Executive, Alderley Holdings Ltd)
- Dr Raj Thamotheram (Senior Advisor, Universities Superannuation Scheme)
- Sir Stephen Brown (Chief Executive, British Trade International)

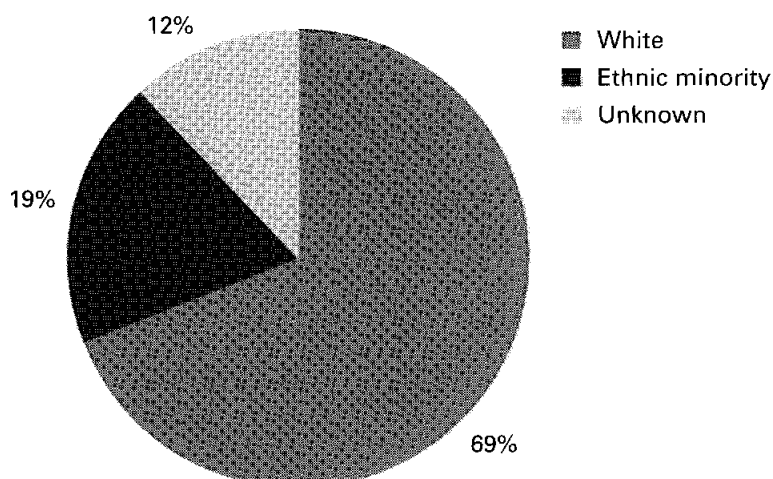
To minimise conflicts of interest, the EGAC does not advise on live cases. Members are required to declare their interests and this register of interests (including share holdings) is set out on the ECGD website (www.ecgd.gov.uk). The minutes of EGAC meetings are also published on the website.

9. Recruitment Practice

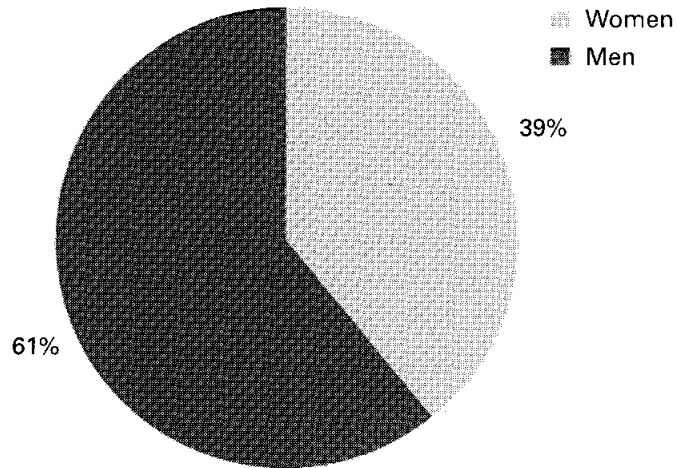
- 9.1 ECGD is committed to the core recruitment principles of fair and open competition and of selection on merit, as laid down in the Civil Service Management Code. ECGD employs rigorous recruitment procedures to ensure that the Department is able to recruit the most able candidates.
- 9.2 ECGD was awarded disability 'Double Tick' status by the Employment Service in 1996, which signifies that we are positive about employing disabled people. This was successfully reviewed in 2000 and is due for review in 2003.
- 9.3 In order to ensure that these high standards are maintained, the Department's systems are subject to regular scrutiny. An annual review is undertaken by a member of Central Services Division (independent of the relevant recruitment exercise) on a sample of the recruitment carried out during the previous year. Our recruitment procedures and practices were endorsed in an audit conducted by the Cabinet Office in August 2002.
- 9.4 ECGD is an equal opportunities employer. As the 2002 Equal Opportunities Report stresses, ECGD recognises that it has a diverse work force and is committed to ensuring:
- fairness and equality of opportunity in employment and progression for all staff and job applicants;
 - that no member of staff experiences unfair discrimination on account of the ways they differ; and
 - that the Department does not unfairly discriminate in the service it provides to its customers.

Percentage breakdowns on ethnic background, gender and disability are shown below.

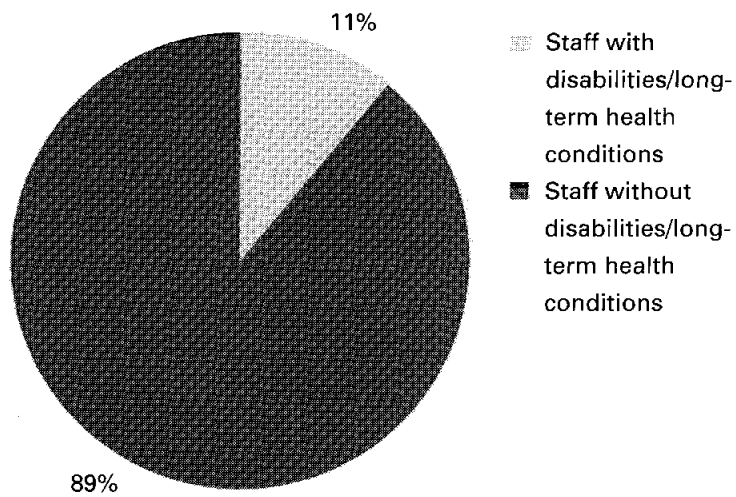
ECGD staff by ethnic origin (December 2002)



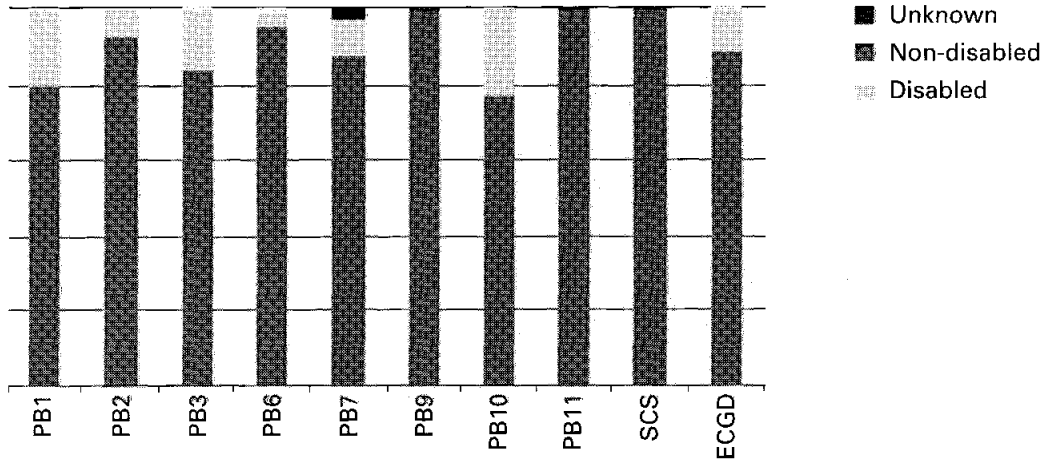
ECGD staff by gender (December 2002)



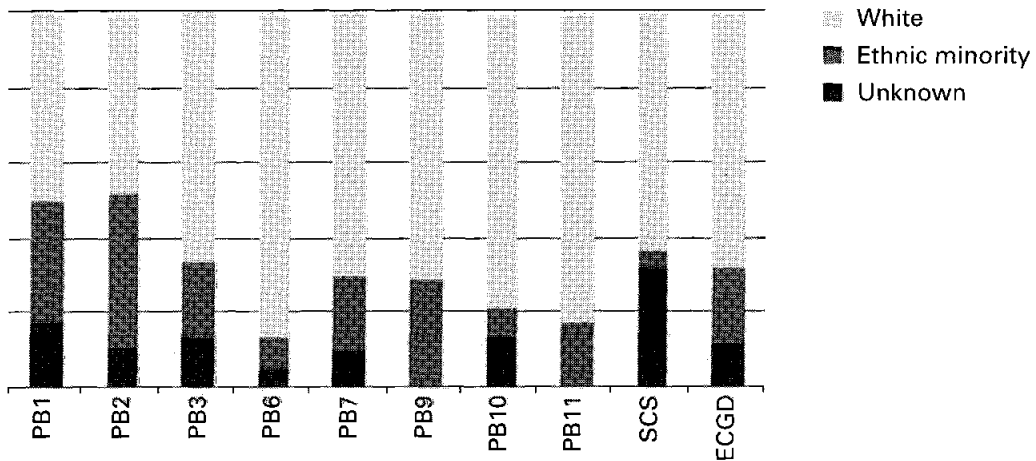
ECGD staff with/without disabilities or long-term health conditions (December 2002)



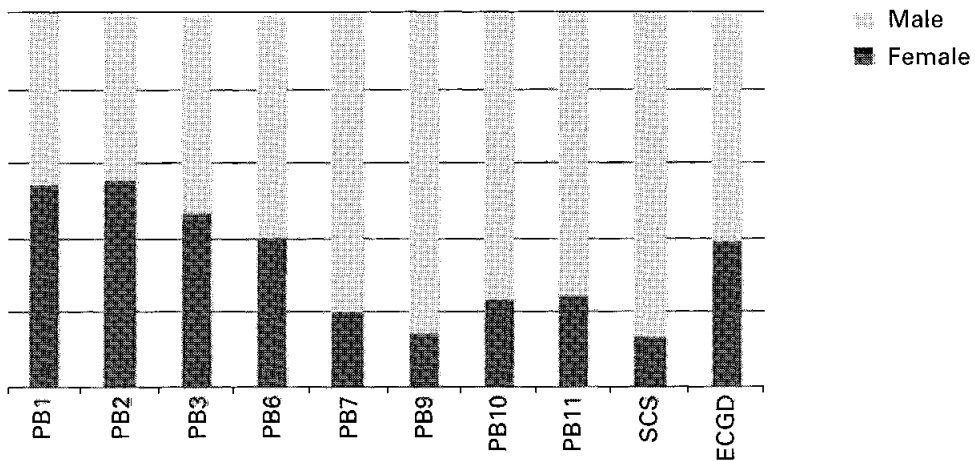
Disability profile of ECGD staff by pay band (February 2003)



Ethnic origin profile of ECGD staff by pay band (February 2003)



Gender profile of ECGD staff by pay band (February 2003)



10. Health and Safety Policy

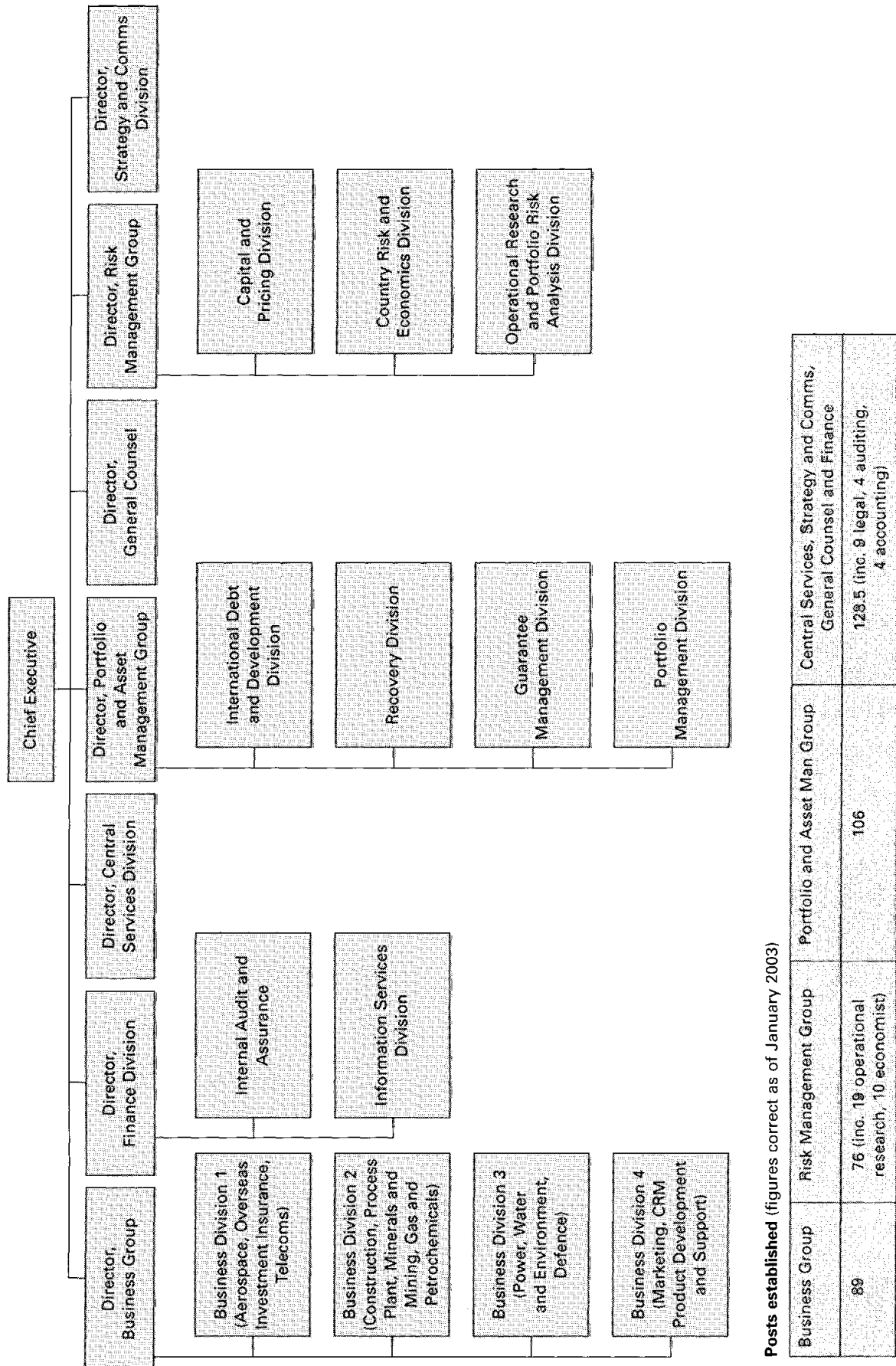
- 10.1 ECGD maintains its health and safety policy through a standing Health and Safety Policy Statement. Following the appointment of an independent health and safety consultant the Department has been reviewing this policy statement to incorporate the latest features of the health and safety regulations. The consultants also provide training, reporting, risk assessments and workstation assessments on an ongoing basis. All new entrants to ECGD are given training on health and safety issues as part of their induction training. The nature and scope of this training is also under review to ensure it keeps up-to-date with current developments in the health and safety field.

11. Annual Report and Accounts

- 11.1 Further information on ECGD, including its Mission Statement, objectives, and payment, employment and equal opportunities policies, is set out in ECGD's Annual Report and Resource Accounts for 2001/02, which were presented to Parliament on 23 July 2002 (House of Commons Paper 1061), as well as its Review of the Year 2001/02 made available to the public on 28 August 2002. These documents can be downloaded from ECGD's website www.ecgd.gov.uk.

Annex 1

ECGD Organisational Chart



Posts established (figures correct as of January 2003)

Annex 2

Table 1: Export Credits Guarantee Department Public Spending £ thousand

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
Consumption of resources:						
To provide UK exporters of goods and services with the benefit of finance at a fixed rate	73,187	6,350	55,784	141,883	323,204	-26,538
Total resource budget for Export Credits Guarantee Department	73,187	6,350	55,784	141,883	323,204	-26,538
<i>of which:</i>						
Export Credits Guarantee Department Departmental Expenditure Limit (DEL)						
Non-cash items in AME	710	602	796	671	798	776
<i>of which:</i>						
Depreciation	500	392	496	471	582	623
Cost of capital charges	210	210	300	200	216	153
Changes in provisions and other charges						
Capital spending:						
Net direct lending to refinance fixed rate export loans thereby reducing the funding costs of the scheme	-226,188	919,252	1,260,232	0	557,000	-390,000
To replace fixed assets used in the administration of the Department.	315	243	395	453	1,160	545
Total capital budget for Export Credits Guarantee Department	-225,873	919,495	1,260,627	453	558,160	-389,455
<i>of which:</i>						
Export Credits Guarantee Department capital						
Departmental Expenditure Limit (DEL)	315	243	395	453	1,160	545
Total public spending by Export Credits Guarantee Department	-153,186	925,453	1,315,915	141,865	880,782	416,616

- (1) Total public spending calculated as the total of the resource budget plus the capital budget, less depreciation.
(2) AME may contain spending other than non-cash items. A full breakdown of budgets into their DEL and AME and voted and non-voted components is contained in the Supplementary Budgetary Information publication which accompanies the Main Estimates.

Table 2: Staff Numbers

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated Outturn	Plans	Plans
ECGD												
Civil Service												
Full Time												
Equivalents	579	497	453	424	386	380	406	383	373	377.69	414.5	414.5



Published by TSO (The Stationery Office) and available from:

Online

www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline *Lo-call* 0845 7 023474

Fax orders: 0870 600 5533

E-mail: book.orders@tso.co.uk

Textphone 0870 240 3701

TSO Shops

123 Kingsway, London, WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

TSO Accredited Agents

(see Yellow Pages)

and through good booksellers

ISBN 0-10-159172-1



9 780101 591720