

EXPORT GUARANTEES ADVISORY COUNCIL

MINUTES OF MEETING HELD ON 3 July 2018

Present: Ms Gillian Arthur (Chair)
Mr John Newgas
Ms Roseline Wanjiru

Apologies: Mr Andrew Wiseman
Mr Alistair Clark
Ms Alexandra Elson
Mr Neil Holt
Mr John Morrison
Ms Anna Soulsby

In attendance: Mr Louis Taylor
Dr Helen Meekings
Mr Max Griffin
Mr Simon Foister

Secretary: Mr David Underwood

1. MINUTES OF PREVIOUS MEETINGS AND MATTERS ARISING

1.1. The minutes of the February meeting were not yet available. The secretary will provide an update to the Council at the next meeting.

2. CHIEF EXECUTIVE'S UPDATE

2.1. Mr Taylor informed the Council that the UKEF Annual Report and Accounts for 2017-18 had been published on 20 June 2018. Mr Taylor noted that the year had been relatively successful, but had seen a slight decrease in the amount

of business supported. There was however a significant pipeline of business and some large cases that would be underwritten in 2018-19.

- 2.2. He highlighted that UKEF had directly supported 191 companies with new business supported having a maximum liability of £2.5bn. UKEF supported £466m of export contracts won by UK businesses through its short-term trade finance products. There was a further increase in Direct Lending business, with £666m of loans made to overseas buyers of UK exports. Other particular highlights of the year included the naming of UKEF as Best Export Credit Agency for 20176 by Global Trade Review and Euromoney's Trade Finance. The Council's Annual Report was contained in the UKEF ARA and had also been published.
- 2.3. The CEO updated the Council on the ongoing Airbus investigations. The Council was advised that the first new transaction since the freeze had been supported. The Council asked for more information on how UKEF assesses the progress being made by Airbus. UKEF advised that measures introduced to develop a systems and controls process at the company and the increased number of financial controls that had been implemented were encouraging, but UKEF was not prepared to return to business as usual at this point.
- 2.4. Mr Taylor updated the Council on changes to the staffing in the UKEF Environmental and Social Team. UKEF had seen a high level of staff turnover in the team recently, but had had no difficulty in recruiting quality people from the private sector due to the interesting and challenging work carried out by the team. The Council suggested that the turnover of staff could have positive effects in bringing in new perspectives and viewpoints, and introducing people with UKEF experience into external organisations when they move on.
- 2.5. The CEO advised the Council that UKEF's one year term on the Equator Principles was reaching its end. UKEF will be standing for re-election at the vote in July. The Council discussed the benefits UKEF had seen from participating in this role which included having access to increased access IFC guidance, and an increased level of participation in discussions on the EP

issues. The Council agreed that UKEF would have a stronger voice if it were to remain on the steering group and recommended UKEF continue in the role.

2.6. Mr Taylor provided a report on the UKEF Annual Customer Conference which had taken place recently. The conference was the first hosted by UKEF in many years. It had been well attended by over 400 delegates, primarily from the exporting community. The conference was well received and featured support from three ministers. UKEF will host a similar event in 2019.

2.7. Mr Taylor notified the Council that the government had announced earlier in the year that it would be undertaking a cross-government departmental spending review in 2019, the planning for which starts this year. UKEF, along with all other government departments, will be reviewing its spending and ambition. A further update will be given to the Council in due course.

3. OECD ANTI BRIBERY AND CORRUPTION UPDATE

3.1. Mr Foister provided the Council with an update on current discussions which were taking place within the OECD Export Credits Group (ECG) in respect of the ongoing review of the 2006 OECD Recommendation on Bribery and Officially Supported Export Credits. After two years of extensive discussions where the UK had supported stronger wording within the Recommendation, the ECG members were still unable to agree on revised text. Further discussion was expected to take place in November 2018. If no consensus could be reached, the most likely outcome would be that OECD ECG members who supported a revised Recommendation containing significant improvements to the text could choose to adopt it on a voluntary and informal basis.

3.2. The Council noted that it was disappointed with the positions being taken by some OECD members, but supported UKEF's approach to the drafting of a strengthened Recommendation. The Council requested that UKEF continues

to take a leadership role amongst like-minded countries in the discussions. The Council asked to be kept updated and requested feedback following the discussions at the OECD ECG in November.

4. OECD COAL SECTOR UNDERSTANDING UPDATE

4.1. In 2015, the OECD Participants to the Arrangement on officially supported export credits negotiated a Sector Understanding on Export Credits for Coal Fired Electricity Generation Projects (CFSU), which applies to coal-fired power generation. The CFSU prohibits OECD export credit agency support to all but the 'cleanest' coal-fired power technologies, with certain exceptions, e.g. coal-fired power stations in International Development Association-eligible countries, where costs of cleaner power technologies may be prohibitive.

4.2. In 2015 the UK was a strong supporter of the US led proposal to introduce the CFSU which contains a review clause stating that the agreement shall be reviewed no later than June 2019. Mr Foister updated the Council on the upcoming review.

4.3. The UK government has an established policy on coal fired power stations, both domestically and overseas. The Minister of State for Energy and Clean Growth in BEIS is seeking views from ministerial colleagues on the scope to strengthen the OECD agreement when it comes up for review.

4.4. The issue is one of EU competence for EU Member States and therefore the Commission will have to represent all EU members at the OECD with a single agreed position. There is no current agreement between EU members on the extent and direction of the review, and the UK's position within the EU Council Working Group on Export Credits is unclear post-2019. The other OECD ECG members are also yet to agree on the extent of the review, and may not be supportive of increasing restrictions on support for coal fired power stations.

4.5. In this context, the Council noted the difficulties faced by the UK in leading an ambitious review and further strengthening of the CFSU. The Council

requested to be kept informed on progress and advised that UKEF remain in close contact with colleagues at BEIS and the Department of International Trade.

5. ECA AND DFI SYMPOSIUM REPORT

5.1. Dr Meekings gave an update on a symposium on “modernising the trade and development finance agenda” hosted by IfTI (a research institute based in Offenburg University) and sponsored by the Berne Union, EKF (the Danish export credit agency), DEG (the German Development Finance Institution) and ITFC (the Islamic Trade Finance Corporation).

5.2. ECAs and DFIs are together important external financiers of developing countries. This is recognised by the long-standing linkages between the OECD Export Credits Group (ECG) and Development Assistance Committee (DAC). Since 2016, the Berne Union has been spearheading efforts to strengthen the dialogue and relationships between Export Credit Agencies (ECAs) and Development Finance Institutions (DFIs), with a view to promoting more collaboration.

5.3. Dr Meekings described the changing landscape of the relationship between export credits and aid/development finance and highlighted the increasing amount of “private sector instruments” being introduced by institutions that increasingly blur the line between non-concessional borrowing and aid.

5.4. The Council agreed that it was becoming clear that ECAs and DFIs should work more closely together. The Council noted that CDC was the DFI for the UK. The Council recognised that UKEF faced restrictions on the level of development finance that could be provided due to its specific non-DFI mandate, but recommended closer working with CDC. The Council advised that there was potential for closer working with other UK institutions and suggested that UKEF consider examining how the overall UK offer could be better coordinated.

5.5. UKEF advised that it was currently mapping existing its considerations to the UN Sustainable Development Goals. The Council requested that a report be made to the Council, and welcomed the fact that some of the types of projects supported by UKEF already fell into scope of the SDGs. For example, support for hospital projects in Africa. The Council suggested that UKEF could make more of the positive benefits of projects supported including jobs supported in the UK, abroad rather than the financial benefits.

5.6. UKEF asked the Council for advice on how to work better with the Department for International Development (DfID). The Council advised that it saw the UK policy to restrict tied aid support as one barrier for cooperation. The Council also undertook to provide some specific direct contacts that could be useful.

6. 2017/18 FREEDOM OF INFORMATION UPDATE

6.1. UKEF responses to FOI requests are independently monitored by the Council. The Council received the annual report on FOI responses for the 1 April 2017 to 31 March 2018. The Council reviewed the themes and statistics.

6.2. The Council noted that UKEF had met the statutory deadline for 93% of the 109 FOI requests received in 2017-18 which put UKEF towards the top of the central government performance table. The Council also noted the increase in the number of FOI requests and Internal Reviews being received year on year.

6.3. Mr Underwood highlighted some of the more complex and novel cases which had been resolved by UKEF in the last year and outlined UKEF's approach to handling them. The Council considered current workload and resourcing within the FOI team, and suggested UKEF could carry out an exercise to establish the monetary cost of complying with information legislation for general information.

6.4. The Council also considered information requests which had been answered since the last Council meeting.

7. ENVIRONMENTAL AND SOCIAL TEAM QUARTERLY MONITORING REPORTS – JANUARY - JUNE 2018 and BUSINESS SUPPORTED LIST

7.1. The Council reviewed the Environmental and Social Team (E&S) reports for January to June 2018. The Council recognised that its mandate was to consider cases after they had been supported by UKEF, but agreed that the reports were useful to identify work in the pipeline.

7.2. Mr Griffin gave some short updates on significant cases where UKEF had provided support. The Council requested that UKEF continue to provide the quarterly monitoring reports to the Council for information, in addition to the formal reviews of supported cases. The Council also noted the recent business supported list.

7.3. The Council requested that UKEF consider a presentation to the Council on how E&S work is done when working on cases with non-OECD members.

8. EGAC SCORECARD

8.1. The Council reviewed the advice it had provided and decisions it had taken, and noted that all actions arising from these were either complete or in hand.

9. ANY OTHER BUSINESS

9.1. The Council requested that UKEF provide an update on the Modern Slavery Act 2015 and its application to UK exporter who are supported by UKEF. UKEF will provide the update at the next EGAC meeting.

9.2. The UKEF CEO formally recorded thanks to Gillian Arthur, who was stepping down from the role of EGAC member after 9 years. She had been an enthusiastic Council member and had contributed greatly to the work of the

Council and that of UKEF. Gillian recorded that she had enjoyed her time on the Council and had seen significant change in UKEF over her time in the role.

David Underwood

EGAC Secretary