

UKEF'S IMPACT FRAMEWORK

Our approach to impact

Each year, UKEF provides billions of pounds of financial support, helping businesses across the whole of the UK to export. This support is crucial, allowing UK firms – large and small – to grow by tapping into the vast opportunities global markets offer. This is at the core of our mandate, but the real-world impact of our work is much wider: from supporting local communities and driving growth, to financing renewable energy projects needed for the global low carbon transition. UKEF's financing also helps build essential infrastructure in developing markets, ensuring that export credit aligns with international development priorities where possible.

Impact has always been at the heart of what we do. UKEF is known for having a deep understanding of UK businesses and their needs – and going the extra mile to support them. We have a long and proud history of innovation and flexibility in driving impact for our customers and their communities. This includes the unprecedented action we took to support UK firms and sectors during the pandemic. For example, we flexed our mandate to help Ukraine defend itself against Russia's illegal war. That's why 'making a difference' is one of UKEF's core values; this is also reflected in our Mission Statement, which places prosperity and sustainability at the heart of everything we do.

UKEF is evolving, using the language of real-world impact in the way we talk about our success, hold ourselves to account and set our strategic direction. This will help us better tell the story of the good work UKEF does every day. It will also allow us to look for opportunities where we can maximise our impact, while ensuring that we align with government priorities for growth, clean energy and industrial strategy. This means we can deliver our mandate in a way that makes our taxpayer-backed support go as far as possible to deliver on the Government's objectives.

Figure 1: Our Impact

OUR IMPACT

Prosperity

Supporting economic growth and jobs

Public policy

Contributing to wider public policy priorities

Sustainability

Promoting sustainable practices and outcomes



UKEF's Impact Framework

UKEF's Impact Framework is primarily an information and communication tool to help the department measure and articulate its impact. It is not designed to be used at transaction level, but rather as a series of quantitative and qualitative indicators – allowing us to look at our overall performance and impact. These indicators are grouped into three thematic areas:

ProsperityPublic policySustainability

These three areas capture the full scope of the outcomes our support delivers, while also aligning with our strategic direction. This encompasses UKEF's priorities around customers, growth, people and impact, as well as our mission statement and public commitments. We will report yearly on these indicators in our Annual Report and Accounts.

Table 1: UKEF's primary impact indicators

	Indicator	Definition			
PR0:	Support for exports through UKEF finance and insurance	Value of export contracts won by UK firms			
	Supporting UK exporters' capability	Value of financing to build UK export growth			
PROSPERITY	UK economic growth	Contribution to Gross Domestic Product (GDP); a measure of value added to the UK economy associated with UKEF's financial support UK firms			
	Jobs supported	The employment impact of UKEF's financial support for UK firms			
	SMEs supported	The number of small, medium, and micro-sized businesses UKEF has financed			
PUBLI	Economic impacts across the UK	The proportion of SMEs supported by UKEF outside of London			
PUBLIC POLICY	Women and ethnic minority-led businesses supported	The number of women and ethnic minority-led businesses UKEF has supported			
SUSTAINABILITY	Net Zero 2050	Progress against decarbonisation targets in the oil and gas (2030), power (2030) and aviation (2035) sectors			
	Clean growth support	The value of Clean Growth categorised transactions financed by UKEF			
	International development	The value of private finance mobilised in low- and middle-income countries			

Measurement of these indicators provides a wide-ranging view of the impact we are delivering. Many of them are already captured and reported on but have not yet been brought together systematically, or been consistently embedded within our wider performance products. Where UKEF does not currently hold data against these indicators, we are committed to building out our insights as needed. These indicators will show us the impact of our support, and we'll complement this with existing primary project-level data that we capture (including in relation to existing social and environmental safeguards, external insights, case studies, and targeted ex-ante and ex-post evaluation). We remain customer-focused and will ensure user experience is at the forefront of our decision-making.

UKEF's ability to drive impact in these key areas is underpinned by our fiscal responsibility. UKEF tracks a number of fiscal metrics, including the ratio of its reserves to its portfolio losses, the premium it charges to cover its risk and administrative costs, and the income it earns through premium to cover its risk and operating costs. These measures demonstrate UKEF's adherence to the Treasury's financial objectives set out within the Consent, as well as the importance of our robust risk management processes, which are at the heart of everything we deliver as a department. They capture UKEF's commitment to operate at no net cost to the taxpayer over the economic cycle, along with our ability to deliver our wider mandate.

Applying the Impact Framework

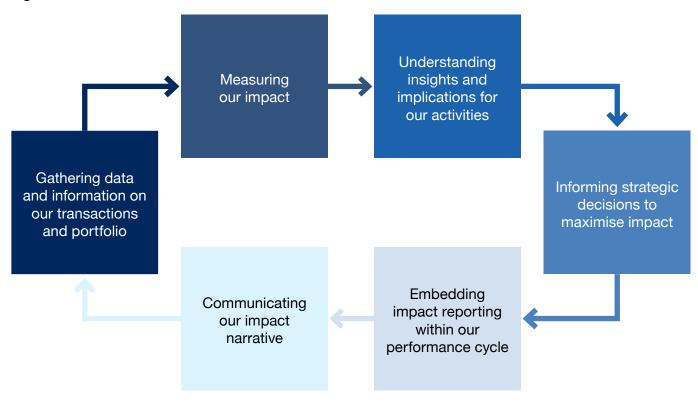
We have designed the Impact Framework to be easily accessible, data-driven and focused on the Government's priorities, while allowing flexibility to iterate and evolve over time as our approach matures. We are already using this framework at the strategic level to help us set UKEF's direction. This includes:

- Informing the way we design and deliver our product strategy
- Our approach to originating deals
- Shaping the objectives set out in UKEF's 2024-29 Business Plan

In addition, the framework will help ensure we have the data and insight to continually shape our services across the whole customer lifecycle – from business origination to post-issue management.

Our ambition is to use these insights to help us make evidence-based decisions about the ongoing and future direction of the department. By improving our data collection and evaluation, we'll be able to better tell the story of our support, ensuring that ministers, civil society and ultimately UK taxpayers are confident in the benefits UKEF brings to the UK and abroad. This is important against a backdrop of increasing scrutiny of our performance from key stakeholders and the fact that our portfolio continues to grow, creating a more complex operational environment for teams across the department.

Figure 2: How we use our framework



How UKEF decisions deliver real-life impact

To help translate the framework into something that can inform UKEF's future direction, the below Theory of Change model maps out how UKEF staff perform day-to-day tasks that lead to the real-world outcomes described above. It shows:

- The "inputs" the resources and activities that we can control like our product suite
- The "outputs" what's delivered or produced by those resources and activities
- The "outcomes" the short or medium-term results
- The "impacts" the long-term results for the economy, society, and the environment

It's designed to help stakeholders understand the outcomes of UKEF's activities, enabling them to make more informed decisions about service and organisational design, implementation and evaluation. This, in turn, helps guide our business decisions while developing a long-term, strategic overview of how our products and policies make a difference.

Figure 3: UKEF's Theory of Change

Our Mission :	To advance prosperity by ensuring no viable UK export fails for lack of finance or insurance, doing that sustainably and at no net cost to the taxpayer.											
Our Impacts :	Sustainability • Low-carbon transition and environment • Social and human rights • International development			Prosperity • UK jobs and skills • UK business competitiveness • UK business investment • UK productivity • UK supply chain development			• HMG's I • HMG's t	Public Policy Local growth across all regions of the UK HMG's Industrial Strategy HMG's trade policy HMG's foreign policy				
The Outcome of our support:	UK businesses export											
Our Outputs :	UK businesses <u>win contracts</u>			UK businesses <u>fulfil orders</u> Access to finance			U	UK businesses <u>get paid</u>				
Our inputs and activities or " levers ":		Content content		incl. UK Risk a appetii Terms Sta		Portfolio Managemer Marketing, comms and ev	nt rela	national tions gital vices	Resource and capability Capacity building and due diligence			
The	Market Imperfections: Information Asymmetry, Credit Market Failures, Incomplete Markets		Positive and Negative Externalities		Coordination Failures: Transaction Costs, Lack of Trust		Market Power: Uneven Playing Field					
market failures we address:	E.g. lack of private sector financing for a valid export		UKEF facilitating financing of infrastructure projects in low- and middle-income countries generates positive externalities for the residents of those countries.		E.g. UKEF facilitates coordination/consortium to reduce costs and support exports		E.g. UKEF supports SMEs that cannot compete with large competitors					
Our <u>internal</u> enablers and constraints	Statutory powers			and People and ology culture		System and processes	Climate targets					
Our <u>external</u> enablers and constraints	Government and ministerial priorities	UK supply chain capability	Subsidy controls		International agreements – inc. OECD Arrangement	Political and social licence to operate	Wider government policy	Macroecor environm				

One practical way to use this model is through developing an 'impact pathway', which maps out how specific actions bring about real-world benefits. Developing an impact pathway can help the department determine how to allocate scarce resource to drive specific impacts, and enable a systemic and evidence-based approach to strategy and policymaking. An illustrative impact pathway, using one of UKEF's priority work areas – increasing the number of SMEs we work with – is presented in Figure 4 below.

Figure 4: An illustrative impact pathway; how UKEF could drive SME-associated impact

