National Audit Office

DEPARTMENTAL OVERVIEW 2019

DEPARTMENT FOR INTERNATIONAL TRADE AND UK EXPORT FINANCE

OCTOBER 2019

DEPARTMENT FOR INTERNATIONAL TRADE AND UK EXPORT FINANCE

This overview summarises the work of the Department for International Trade and UK Export Finance including what the organisations do, how much they spend, recent and planned changes, and what to look out for across their main business areas and services.

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Department for International Trade (DIT) and UK Export Finance (UKEF)

This overview summarises the work of the Department for International Trade and UK Export Finance including what the organisations do, how much they cost, and what to look out for across their main business areas and services.

The Department for International Trade helps businesses to export, drives inward and outward investment, negotiates market access and trade deals, and champions free trade. The Department also works closely with UKEF – the UK's official export credit agency.

UKEF operates under its own Act of Parliament, under consent from HM Treasury and has its own Parliamentary Vote. It is a separate government department but reports to the Secretary of State for International Trade and is strategically aligned with DIT. The Chief Executive of UKEF sits on the DIT Board and Executive Committee. UKEF's Board chair is also one of DIT's non-executive Board members.

DIT

The work of DIT is focused on the following five departmental objectives set out in its most recent Single Departmental Plan published in June 2019.

DIT aims to:

- support UK businesses to grow internationally in a sustainable way;
- ensure the UK remains a leading destination for international investment and maintains its number one position for international investment stock in Europe;
- open markets, building a trade framework with new and existing partners which is free and fair;
- use trade and investment to underpin the government's agenda for a Global Britain and its ambitions for prosperity, stability and security worldwide; and
- build DIT as an effective international economic department where our people are expert, enterprising, engaged and inclusive.

UKEF

UKEF aims to ensure that no viable UK export fails for lack of finance or insurance, while operating at no net cost to the taxpayer.

UKEF aims to help UK companies to:

- win export contracts by providing attractive financing terms to their buyers;
- fulfil contracts by supporting working capital loans; and
- get paid by insuring against buyer default.

This overview:

- sets out details of DIT and UKEF's aims and objectives, spending and management of public money (pages 3, 4, 5, 6, 8 and 9);
- sets out key events to date, and details how the departments are organising themselves for the challenges ahead (pages 7, 10 and 11); and
- sets out the key themes and challenges facing the departments, and the issues to look out for (pages 12 to 15).

About the Department for International Trade

DIT

DIT was established on 14 July 2016.

The new Department took over responsibility for the UK's trade policy (excluding the negotiations over an agreement with the European Union), promoting opportunities to invest in the UK from overseas and promoting exports.

DIT took over functions from predecessor government organisations, including:

- absorbing the whole of the former UK Trade & Investment;
- the GREAT campaign (to enhance the UK's standing overseas) from the Cabinet Office;
- trade policy from the Department for Business, Energy & Industrial Strategy (BEIS); and
- the Export Control Joint Unit from BEIS supplemented by expertise from the Foreign & Commonwealth Office and the Ministry of Defence.

DIT has primary responsibility for delivering the UK's independent trade policy as the UK leaves the EU. This includes maintaining current trade access to international markets, supporting and strengthening the multilateral trading system and creating new trading opportunities.

DIT also promotes the UK across the world, attracting foreign investment to our economy, and supports UK businesses to expand and take advantage of our trading relationships.

Department for International Trade's (DIT's) functions

Secretary of State and ministerial team

Global Trade and Investment (£180.7 million)

Works to encourage UK businesses to export or invest abroad, and source opportunities and international companies to increase Foreign Direct Investment (FDI).

Additionally, it includes the international network and Her Majesty's Trade Commissioners (HMTCs), coordinating join-up across the overseas posts, UK regions and the sectors.

Overseas Platform Charge (£52.9 million)

Charges from the Foreign & Commonwealth Office (FCO) in relation to the costs of providing buildings, rent, maintenance and corporate services support to the Department's overseas activities.

Trade Policy Group (£52.0 million)

Aims to open markets across the world, build the capability to negotiate the UK's new trading arrangements and lead the UK's interests in supporting and strengthening the international trade system. It also ensures the UK tackles unfair and damaging practices to protect domestic industry.

Other corporate services (including Analysis, Business Services, Commercial, Finance and HR), Estates and centrally managed resources (£47.7 million)

Communications and Marketing (£38.1 million)

Provides support for inward and outward trade missions, major events such as Expo 2020 Dubai and the DIT elements of the GREAT programme.

Digital, Data and Technology (£20.9 million)

Provides the digital services to support exporters and investors as well as the infrastructure required for the achievement of DIT strategies.

Global Strategy Directorate, Ministerial Strategy Directorate and support teams, and the EU Exit Directorate (£17.8 million)

Includes the work of DIT in support of national security and prosperity, DIT's Defence and Security Organisation, Official Development Assistance, trade envoys and support for ministers in setting and delivering DIT's strategy.

The GREAT Britain campaign (£3.0 million)

Aims to showcase the best of what the UK has to offer to inspire the world and encourage people to visit, do business, invest and study in the UK.

Note

1 The above table shows the Department's net operating expenditure by operating segment.

Source: Department for International Trade: *Annual Report and Accounts, Statement of net operating expenditure by segment*, 2018-19

Where the Department for International Trade spends its money

DIT incurred £413.1 million of net operating expenditure in 2018-19. It generated income of £37.3 million[1].

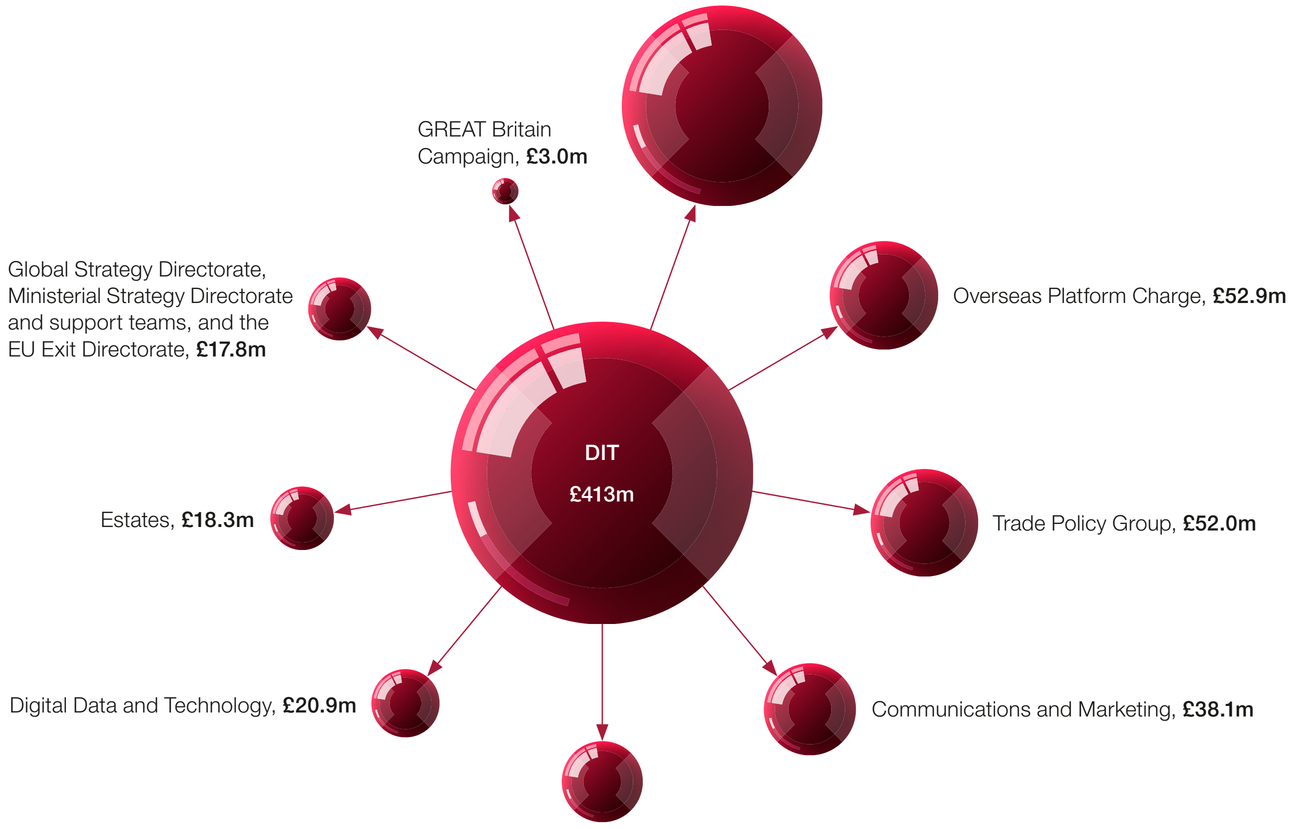
DIT spent £180.7 million[1] (44% of expenditure) of its £413.1 million net operating expenditure on Global Trade and Investment, which contains exports and investment teams. Teams based in the UK and overseas work to encourage UK businesses to export and invest overseas and to attract foreign investment into the UK.

The next two largest items of expenditure each represented around 13% of DIT's total expenditure:

- £52.9 million on payments to the FCO for DIT's overseas staff's use of facilities provided by the FCO such as IT and office space (termed 'DIT Overseas Platform Charge' in the adjacent chart); and
- £52.0 million on the Trade Policy Group – its responsibilities include leading for the Department on developing, coordinating and delivering a new trade policy.

1 Expenditure is presented net of income received.

Department for International Trade's (DIT's) net operating expenditure by operating segment 2018-19



Note

1 Expenditure is presented net of income received. DIT received income of £37.3 million in 2018-19.

Source: Department for International Trade: *Annual Report and Accounts, Statement of net operating expenditure by segment*, 2018-19

Managing public money: Department for International Trade's budget and planned spend

Departmental underspend in 2018-19

DIT's Resource Departmental Expenditure Limit (DEL) was £410.7 million against a budget of £421.7 million in 2018-19, (the budget included £76.9 million for EU Exit preparations). DIT reported that the £11 million underspend resulted from slower than anticipated recruitment, postponement of some activities due to delays in EU Exit and delivery efficiencies. For example, DIT spent less than it originally expected on restructuring its overseas network.

Source: Department for International Trade, *Annual Report and Accounts,* 2018-19

Consultancy spend

DIT spent £2.8 million on consultancy in 2018-19 compared with £0.6 million in 2017-18. It reports that the growth was driven by EU Exit-related requirements, in particular the establishment of the Trade Remedies Authority and support with the designing of trade policy and negotiations delivery systems.

Departments' use of consultants to support preparations for EU Exit reported on expenditure by departments on EU Exit consultancy.

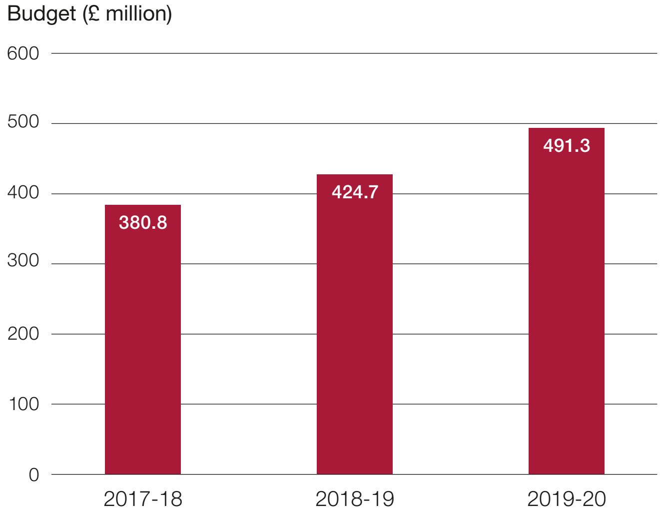
Source: Department for International Trade, *Annual Report and Accounts,* 2018-19

Department for International Trade's (DIT's) resource budget 2017–2020 (£ million)

DIT's budget rose by 29% between 2017-18 and 2019-20. DIT reported that the rise between 2018-19 and 2019-20 is predominantly due to:

- an increase of £51.1 million to prepare for exiting the EU. The 2019-20 budget includes £128 million of funding to prepare for EU Exit, compared with £76.9 million for 2018-19; and
- an increase of £8 million for Expo 2020 Dubai. While DIT is delivering on this commitment on behalf of HMG, the UK's participation at the Expo remains a cross-government priority to highlight the UK's leading expertise in artificial intelligence, machine-learning and space.

Department for International Trade's (DIT's) resource budget 2017–2020



Note

1 The £424.7 million resource budget for 2018-19 differs from the 2018-19 budget of £421.7 million stated earlier on this page because it additionally includes £3 million of Annually Managed Expenditure (AME, expenditure that is not subject to firm multi-year limits). The differences are shown on page 262 of the *Central Government Main Supply Estimates 2019-20*, in the chapter on the Department of International Trade.

Source: *Central Government Main Supply Estimates 2019-20; DIT's Main Estimates 2019-20: Explanatory Memorandum*

Issue to look out for:

- DIT's delivery of the UK's participation in Expo 2020 Dubai, and whether it helps British businesses to win contracts.

Department for International Trade: Staffing and recruitment

Staff numbers

Since 2016 when DIT was established, the Department has been expanding its staff in preparation for taking on its greater role in promoting trade and investment once the UK leaves the EU. DIT's reported average number of staff (full-time equivalent) grew by 49% between March 2017 and March 2019.

Source: Department for International Trade, *Annual Report and Accounts 2017-18*, and *Annual Report and Accounts 2018-19*

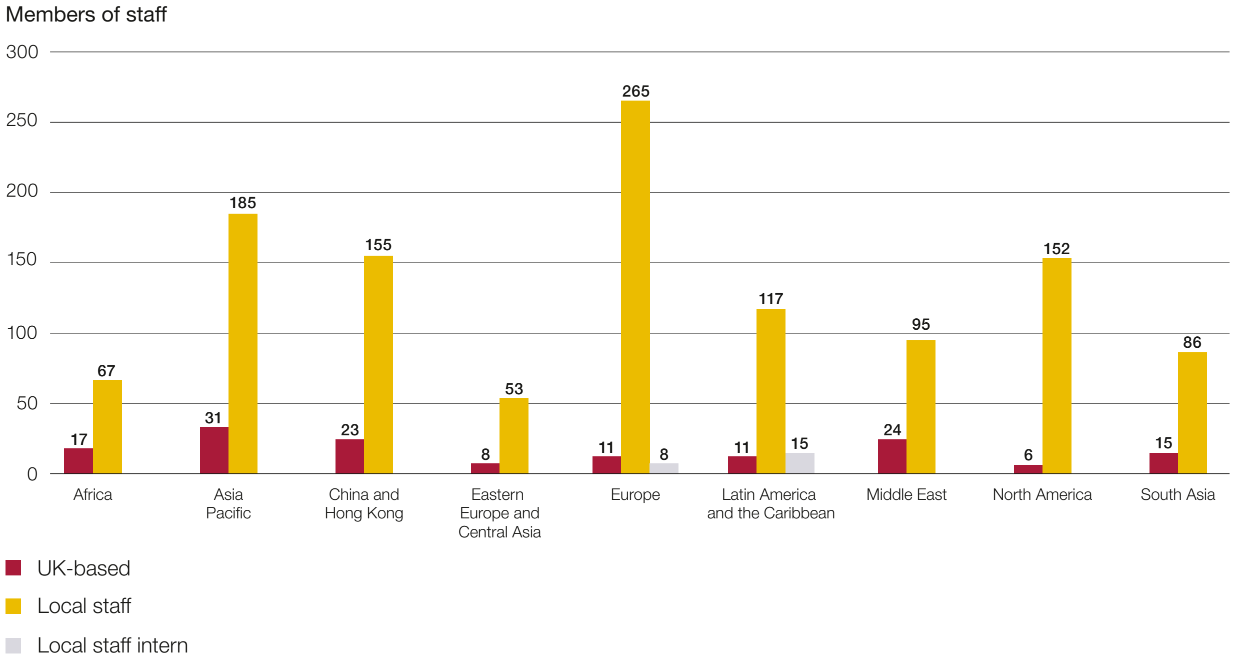
Recruitment, skills and capabilities

Preparing for trade negotiations found that DIT faced challenges in recruiting staff with trade negotiation skills, which is a new competence for government. The UK has not required these skills for 40 years because the European Commission has negotiated agreements on behalf of the UK. After it leaves the EU, the UK will negotiate with highly experienced trading partners. As at February 2019, DIT's Trade Policy Group (TPG), which oversees all trade negotiations, had around 650 staff and needed to recruit an additional 135 people.

DIT's annual report 2018-19 stated that one of the reasons for its underspend in 2018-19 was slower than anticipated recruitment.

Department for International Trade (DIT) staff working overseas (headcount) by region and employee type

DIT has a network of more than 1,300 staff based overseas in embassies and consulates



Note

1 Headcount data are sourced from DIT's systems and collated on the last working day of the month. The table above shows the headcount of staff working overseas as at the end of March 2019 by region and employee type. UK-based staff are civil servants working overseas employed by DIT. Local staff are employed locally by the embassy. Local interns are employed locally by the embassy on a short-term basis.

Source: National Audit Office, Department for International Trade, *Preparing for trade negotiations*, Session 2017-19, HC 2143, National Audit Office, May 2019

Issue to look out for:

- DIT's progress in recruiting sufficient staff with trade negotiation skills and experience.

About UK Export Finance

UKEF

UK Export Finance's statutory purpose is to support exports and overseas investments. It aims to ensure that no viable UK export fails for lack of finance or insurance from the private sector, and operates at no net cost to the UK taxpayer.

UKEF aims to help UK companies to:

- win export contracts by providing attractive financing terms to their buyers;
- fulfil export contracts by, for example, supporting working capital loans; and
- get paid for export contracts by providing insurance against buyer default.

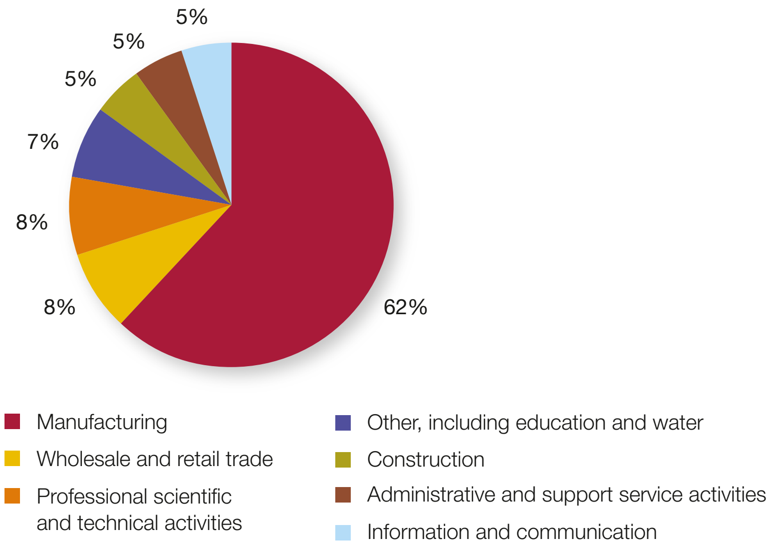
To deliver its objectives, UKEF works with other government departments and agencies:

Other government departments: UKEF works closely with departments including the Foreign & Commonwealth Office, Department for Business, Energy & Industrial Strategy and the Department for International Development to support UK exporters and overseas buyers.

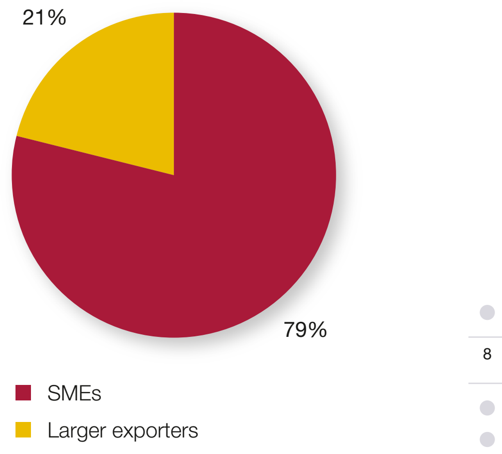
Export credit agencies: UKEF works with overseas national export credit agencies (ECAs) to jointly deliver export credit support where transactions include products from multiple countries. It has cooperation agreements in place with 40 ECAs, and in 2018-19 UKEF added agreements with ECAs in the United Arab Emirates, Uzbekistan and Latin America.

UK Export Finance (UKEF) supported a range of companies across the UK economy. Most support was directed at the manufacturing industries, and 79% of supported companies were small and medium-sized enterprises (SMEs)

Companies supported by sector



Companies supported by size



Source: UK Export Finance, *Annual Report 2018-19*

UKEF's relationship with DIT

UKEF's role sits alongside DIT's responsibility for promoting UK trade overseas and inward investment. It is statutorily independent of DIT and it has its own Board and chief executive, who reports to the Secretary of State. DIT and UKEF are structurally connected as they share a Secretary of State, and the chair and chief executive of UKEF sit on DIT's Board. They work closely together in supporting UK exporters and UKEF's offer of finance is a key element of government's export strategy (page 12).

Managing public money: UK Export Finance

Financial performance and support provided for UK exports

UKEF provides support to UK exporters by providing insurance to exporters and guarantees to banks to share the risks of providing export finance. In addition, it can make loans to overseas buyers of goods and services from the UK.

UKEF funds its administrative costs and the cost of the risk that it takes on through income generated from its customers. It charges exporters premiums at levels that match the perceived risks and costs of the contract or project involved.

In 2018-19, UKEF earned net premium income of £332.4 million; more than the previous three years combined.

Managing risk, financial controls and performance indicators

UKEF aims to provide support to exporters at no net cost to the taxpayer. To protect taxpayers, Parliament has set financial limitations on UKEF's investment activity, to control the risks that UKEF takes on.

These controls and performance against them are set out in the table opposite. They include limits on the total amount of taxpayers' money at risk, limits on the risk of losses and tests to ensure that UKEF is earning sufficient revenue and income to cover its operating costs and potential losses.

UKEF reported that it operated within all limits and controls in 2018-19.

UK Export Finance (UKEF) reported that it met its financial objectives in 2018-19

Control	Target	Performance in 2018-19
Limits the amount of taxpayers' money at risk	The total amount at risk **should not exceed £50 billion**	**Met:** The highest recorded exposure to risk in the year was **£30.4 billion**
Limits UKEF's risk appetite	A less than 1% chance of losses over 10 years **exceeding £5 billion**	**Met:** A less then 1% chance of losses over 10 years **exceeding £2.0 billion**
Index tests whether UKEF has accumulated, over time, sufficient revenue to cover its possible credit losses	Target minimum of **1**	**Met:** The index did not fall below **3.37** in the year
Index tests whether UKEF earns sufficient income from premiums to cover risks and operating costs over rolling three-year periods	Target minimum of **1**	**Met:** UKEF has earned, or expects to earn, premium income which exceeds risks and costs against each of the rolling three-year periods reported in the 2018-19 accounts (results were in the range **1.52–1.61**)
Index tests whether UKEF charges enough to cover the cost of its risks	Target minimum of **1.35**	**Met:** This ratio did not fall below **1.96**

Source: UK Export Finance, *Annual Report and Accounts 2018-19*

UK Export Finance: Staffing and recruitment

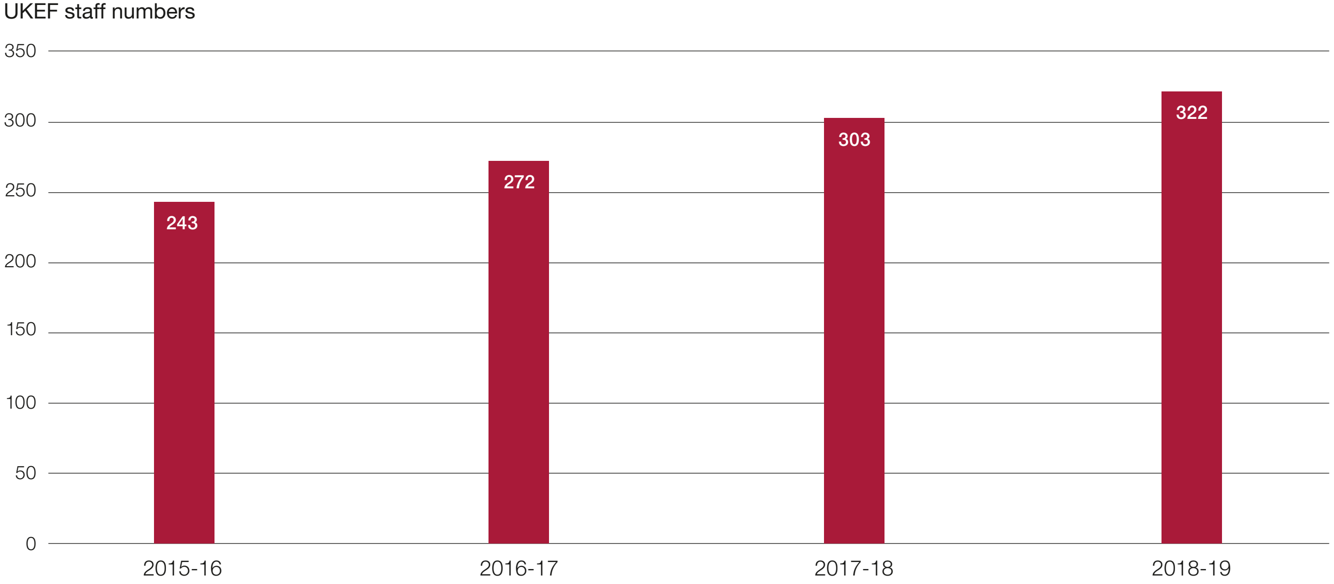
Staffing and recruitment

In 2018-19, UKEF reported that its headcount had reached a 10-year high, which it stated was evidence of the growing demand for its products and services. As at March 2019, UKEF directly employed 322 staff (315.9 FTE). This is an increase of around 30% since 2015-16.

UKEF reported that:

- the recruitment market remained relatively challenging during 2018-19. More than half of recruitments came from the private sector, reflecting the commercial nature of UKEF's work; and
- much of the recruitment activity was driven by higher than average turnover rates, fuelled by pay and benefits issues, and by the relatively buoyant jobs market, both in the private sector and within the civil service as many departments take on additional staff to support preparations for the UK's exit from the European Union.

UK Export Finance's (UKEF's) staff numbers 2015 to 2019



Note

1 UKEF's annual report 2018-19 states: "In addition to the 322 staff disclosed in the graph above, a further 21 off-payroll staff were engaged on average per month, predominately supporting IT and Transformation, Change & Innovation divisions. UKEF has reduced its reliance on contingent labour significantly since 2015 and has reduced contingent labour costs by a total of more than £1.3 million over the period."

Source: UK Export Finance, annual reports and accounts 2017-18 to 2018-19

Issue to look out for:

- UKEF's progress in recruiting and retaining sufficient staff with the skills and experience it needs.

Department for International Trade and UK Export Finance: Key events to date

Department for International Trade (DIT) and UK Export Finance (UKEF): Key events to date

July 2016
Department for International Trade established.

October 2017
DIT published *Preparing for our future UK trade policy.*

February – July 2018
Nine new Her Majesty's Trade Commissioners appointed to lead UK trade and investment activity across the world.

July 2018
Ministerial direction issued to support biggest transaction in UKEF's history, worth nearly £5 billion for the export of defence equipment to Qatar.

August 2018
Publication of *HM Government's Export Strategy* (page 12).

February 2019
DIT published *Processes for making trade agreements after the UK has left the EU.*

April 2019
Ministerial direction issued to increase UKEF's country limit for Iraq by £1 billion.

April 2019
DIT established Strategic Trade Advisory Group representing a cross-section of interests from across the UK on trade policy matters.

2016

2017

2018

2019

1 May 2018
The 'International Trade Profession' was launched to develop trade expertise across government.

18 July 2018
DIT announced public consultations ahead of negotiations on post-EU Exit trade agreements.

29 March 2019
DIT aimed to complete re-negotiation (roll-over) of the 35 EU–third country trade agreements by 29 March 2019.

29 March 2019
The original date by which the UK was planning to leave the EU.

July 2019
The House of Lords returned the Trade Bill to the House of Commons with amendments.

August 2019
DIT reported it has negotiated continuity agreements with third countries that accounted for 64.2% of UK trade in 2018 (goods and services).

31 October 2019
The extended date the UK intends to leave the EU as agreed with the EU Commission.

- Establishing the new DIT and appointing personnel
- Publication of policy and strategy
- Parliamentary process
- Progress towards delivering UK trade policy

Source: *Department for International Trade Annual Report 2018-19* and *press releases; UK Export Finance Annual Report 2018-19*

Developing an export strategy

In August 2018, the UK government published its Export Strategy. DIT and UKEF are both key players in its implementation. The government has set a long-term ambition to increase exports as a percentage of gross domestic product (GDP) from 30% to 35%. It aims to achieve the goals in its export strategy by:

ENCOURAGING and inspiring businesses that can export but have not started or are just beginning.

The government plans to invest in its digital platform, its GREAT campaign and its UK networks to amplify the voices of exporters and the benefits of exporting, and to motivate small and medium-sized enterprises (SMEs) to consider exporting.

It aims to create a network of Export Champions across the UK who will offer expertise and guidance to support other companies.

INFORMING businesses by providing information, advice and practical assistance on exporting from the public or private sector, or their peers.

The government aims to ensure that its trade support networks and international trade advisers in the UK and overseas help businesses build their exporting knowledge and capability.

It also aims to improve signposting to help SMEs access relevant export support in the public and private sector.

CONNECTING UK businesses to overseas buyers, international markets and each other.

The government plans to help businesses overcome trade barriers, create international networks and collaborate with other businesses.

It aims to strengthen international trading relationships through ministerial visits and market access through reducing non-tariff barriers.

Putting FINANCE at the heart of its offer.

The government will raise awareness of how UKEF's trade and export finance and insurance products and services can increase the competitiveness of exporters, and bring together the UK supply chain and consortia around large UK exporters (see page 15).

Issue to look out for:

- The progress government makes towards its target of raising exports as a proportion of GDP from 30% to 35%.

Exiting the European Union

Government has instructed departments to prepare for the United Kingdom leaving the EU. The UK is scheduled to leave on 31 October 2019. DIT needs to deliver a number of projects and programmes ahead of EU Exit to ensure a smooth transition. In its annual report, DIT highlights:

Creating a new Trade Remedies Authority (TRA):

The Trade Bill contains provisions to set up an independent TRA for conducting investigations and making recommendations for the imposition of trade remedies measures. As the Trade Bill has not yet passed through Parliament, DIT has set up an internal Trade Remedies Investigation Directorate on a temporary basis to administer trade remedy functions after EU Exit until the TRA is legally established as an independent body.

Replicating existing trade agreements between the EU and third countries:

The UK had aimed to complete renegotiation of most (35 out of 39) of its existing trade agreements between the EU and third countries by 29 March 2019. Trade with these countries was worth £138.7 billion (10.7%) of total UK trade in 2018 (see chart). DIT reported that by 22 August 2019, it had negotiated continuity agreements with third countries that accounted for 64.2% of UK trade in 2018 (goods and services).

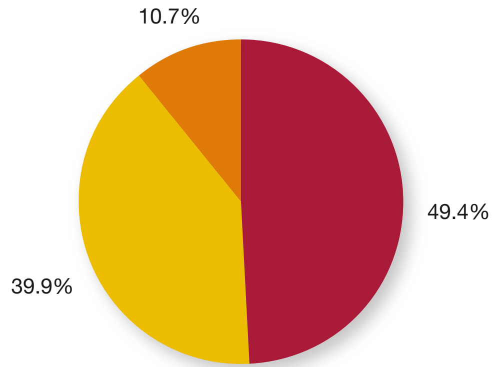
Establishing the UK's independent position in the World Trade Organization (WTO):

DIT has submitted UK schedules (legal instruments which set out the UK's trading commitments to other WTO members) under the General Agreement on Tariffs and Trade and the General Agreement on Trade in Services. The UK has secured an invitation to accede to the Government Procurement Agreement, valid until March 2020.

Additional funding from HM Treasury for EU Exit

DIT's *Main Estimates 2019-20 (Explanatory Memorandum)* reports that HM Treasury allocated DIT £128 million of funding for 2019-20 to prepare for EU Exit. This is an increase of £51.1 million on DIT's £76.9 million budget for EU Exit preparations in 2018-19.

The Department for International Trade (DIT) reports that 10.7% of UK trade (by value) was conducted with third (non-EU) countries party to EU trade agreements



- Trade with EU
- Trade with rest of the world
- Trade with non-EU countries where the EU has an existing trade agreement[1]

Notes

1 By 22 August 2019, DIT had negotiated continuity agreements with third (non-EU) countries that accounted for 64.2% of UK trade in 2018 (goods and services).

2 The 10.7% excludes Turkey, San Marino and Andorra, which are part of a customs union with the EU, and excludes Japan as the EU–Japan Economic Partnership Agreement only came into force on 1 February 2019.

Source: Department for International Trade, *UK trade with Trade Agreement Continuity (TAC) countries: statistical ad hoc release*, 28 August 2019

Issues to look out for:

- Impact of the delay to passing of the Trade Bill on DIT's ability to operate effectively – the provisions of the Trade Bill are required in a deal or no-deal scenario.
- Simultaneously leading government's efforts to negotiate the UK's continuation of 35 EU–third country trade agreements, while also preparing four new proposed trade agreements.

Preparing for trade negotiations

The government intends to boost UK trade by preparing to negotiate free trade agreements (FTAs) once the UK leaves the EU. DIT published consultations on four proposed FTAs in 2018 (see box opposite), and is preparing to take these forward. Trade negotiations could have long-lasting implications for UK citizens and the UK economy.

Preparing for trade negotiations sets out government's progress as of May 2019, and identifies matters for government to consider to help it achieve value for money in opening up overseas markets to UK businesses:

Planning a long-term strategy

- The coherence of DIT's overall negotiating strategy will depend on **whether government departments work effectively together**. New trade deals will cover policy areas that cut across different parts of government and the devolved administrations.
- The effectiveness of DIT's trade negotiations will rely on sufficient **programme management** arrangements, in particular **to deal with capacity constraints**. New trade deals will be complex and resource-intensive, and will require specialist skills and staff from other government departments who have also created trade teams.

Managing multiple negotiations

- Negotiating trade deals is a new competence for government, and DIT will **rely on relatively inexperienced staff**. The UK has not required trade negotiation skills for 40 years because the European Commission has negotiated agreements on behalf of the UK. DIT is working to build capability and develop trade skills across government: by April 2019 DIT had offered more than 400 available places for expert-level trade policy training.
- Trade negotiations will involve **complex trade-offs between different policy priorities**, and require **strong discipline** across government. Trade-offs will impact differently on **different sectors and areas of the UK**.
- DIT will need to secure good coordination with government's international networks to create the right conditions for negotiations, **including data and intelligence sharing with the FCO** to understand issues such as market access barriers.

Engaging with Parliament, business and civil society

- Government has committed to a **transparent and inclusive trade policy**, requiring active engagement with business and civil society throughout negotiations.
- The success of an FTA will **depend on DIT, alongside other relevant government departments, supporting UK exporters** effectively. An FTA provides the legal framework for trade with new partners but may not on its own deliver increased exports without UK businesses seeking new commercial opportunities.
- Securing final ratification of trade deals will depend on Parliament. **Pre-ratification scrutiny in Parliament is required for treaties requiring ratification, including FTAs.**

Government's proposed FTAs

In July 2018, DIT launched consultations on four proposed FTAs with the United States, Australia, New Zealand and the 11 countries that make up the Trans-Pacific Partnership (a global trading bloc). DIT's selection criteria for the four proposed FTAs were: no current FTA in place; the likely economic, strategic and political benefit to the UK; and likelihood of reaching an agreement in a reasonable timeframe. The consultations closed in October 2018, DIT has not published to date its response.

Before entering into FTA negotiations, countries usually publish their negotiating objectives. The US government has published its FTA objectives for a trade deal with the UK, and the New Zealand government has consulted on its objectives for a trade deal with the UK. The UK government has committed to publishing negotiating objectives for proposed FTAs before negotiations begin.

Issues to look out for:

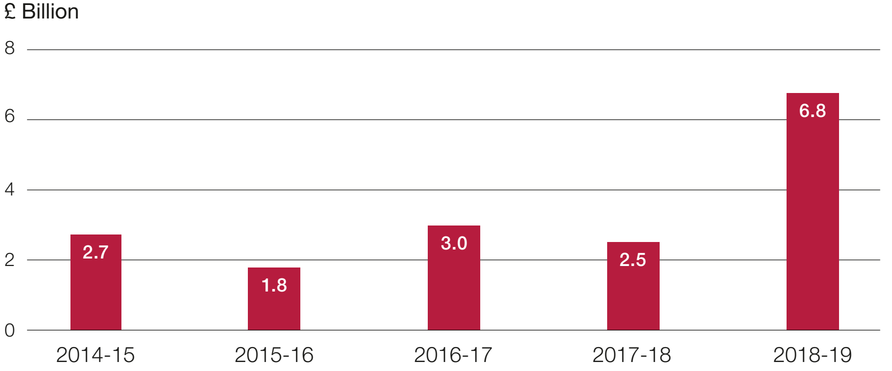
- Developing a coherent overall negotiating strategy across government to manage and resolve complex trade-offs between different policy priorities.
- Effective cross-government coordination in the UK and overseas to support UK exports.
- Progress in implementing ministerial policy announcements on openness and transparency in UK trade policy and in negotiating FTAs.

Expanding finance support for exporters

UKEF expanded its support to the highest level in several decades

UKEF reported that it provided £6.8 billion of support for UK exports in 2018-19, the largest amount of business underwritten for several decades.

UK Export Finance (UKEF) support for businesses



Note

1 The £6.8 billion of support does not include export contracts in 2018-19 of £5 billion of financing and insurance to support contracts to provide military aircraft and related equipment and services to the State of Qatar (this page, box below).

Source: UK Export Finance, Annual Report 2018-19

Ministerial Directions to support exports to the Middle East.

- **Qatar:** In July 2018 a Ministerial Direction by the Secretary of State for International Development was issued to provide up to £5 billion of financing and insurance to support BAE Systems' and MBDA UK's contracts to provide military aircraft and related equipment and services to the State of Qatar. This was UKEF's largest-ever transaction.

- **Iraq:** In April 2019, the Secretary of State issued a Ministerial Direction to increase UKEF's country limit for Iraq by £1 billion to support priority projects.

Additional support for exporters:

- In 2018, in response to the continued importance of direct lending to UK exporters, HM Treasury announced an additional £2 billion of direct lending capacity for UKEF in 2020-21 and 2021-22 to support preparations for the UK's departure from the EU, and to help ensure that exporters have the support they need to enter new markets.

- As part of its Export Strategy, in 2019 the government announced that UKEF will introduce a General Export Facility to support the working capital requirements of exporting companies. The measure is designed to make UKEF's support for exports more flexible by allowing a wider range of exporters access to UKEF support, including SMEs and companies with shorter manufacturing cycles.

House of Commons Environmental Audit Committee Report on UKEF.

- The Committee's report concluded that "UKEF's support for fossil fuel energy projects is unacceptably high, particularly in low- and middle-income countries". The Committee noted that UKEF's support to UK businesses in the energy sector is demand-led, but considered that changes to UKEF's climate-related practices would have significant value as evidence of the UK's leadership on tackling climate change.

Issues to look out for:

- Managing potential risks to value for money from expansion of support and Ministerial Directions.
- Impact of additional funding support to UK businesses on export levels.
- Transparency around the support UKEF provides for fossil-fuel energy projects.