

# **HOUSE OF COMMONS BUSINESS, INNOVATION & SKILLS COMMITTEE – INQUIRY INTO EXPORTS AND THE ROLE OF UK TRADE & INVESTMENT (UKTI)**

## **MEMORANDUM OF EVIDENCE FROM THE CHIEF ECONOMIC DEVELOPMENT OFFICERS SOCIETY (CEDOS)**

### **Executive summary**

#### *Importance of exports and the Government's targets*

Export success is essential to economic growth and employment in the UK both nationally and locally; boosting exports is crucial to the future health of the UK economy.

On current trends the Government will miss its targets to double UK exports to £1 trillion by 2020 and increase the number of SMEs that export by 100,000.

The very real prospect of the targets not being met has led to some calling for them to be revised. CEDOS considers that it is right to set challenging targets and we support the current targets being maintained.

#### *Policies required to meet government targets*

Improving this country's export performance must be a major priority backed by a cross-departmental policy framework that provides consistent, long-term and high-level support to boost exports in all parts of the country.

Internationally, there must be ongoing efforts to tackle tariff and non-tariff barriers to trade. Nationally, support for exports needs to be built into a range of policies across Government.

The core part of policy must be effective support provided directly to existing exporters and to businesses who are not yet involved in exporting but have the capacity to do so.

It is essential that UKTI, the Foreign and Commonwealth Office (FCO) and UK Export Finance (UKEF) are provided with the necessary Government priority and finance to enable them fulfil their export promotion roles effectively.

#### *Geographical focus*

In the efforts to promote UK exports, there is much emphasis on high growth and emerging markets. Whilst this is welcomed, there should be no diminution in the support available for exporters to European and other established markets.

Within the UK, for export promotion as with other areas of economic development, all local areas must have the opportunity to realise their economic potential with, as far as possible, a level playing field on which to pursue economic action.

It is essential that UKTI resources are focused not only on areas and sectors with a strong export performance but also on areas and sectors, where more needs to be done to stimulate export activity.

Whilst local areas have the benefit of accessing UKTI services regionally through delivery contracts in nine regions of the country, even more could be achieved by more local devolution.

#### *Further support for SMEs*

Government policy must recognise that SMEs need intensive, dedicated and long-term support to begin and develop exports.

There is a case for introducing selected financial incentives for SMEs, which could include export vouchers and a system of export tax credits.

An important part of achieving the Government's export targets is raising awareness of UKTI and its services. This is a particularly key issue for SMEs.

The Government must spearhead a drive to get all businesses to 'go digital' by taking advantage of existing online e-commerce tools as a key to exporting. National research already indicates that SME's are not taking advantage of digital commerce opportunities, and further emphasis should be placed on enhancing this.

UKTI needs to engage more effectively with local Chambers of Commerce and other advisory organisations as part of the move to regional and more local devolution of its spend and services.

Success in enabling SMEs to meet their export potential will depend fundamentally on UKTI working more closely with local areas to meet distinctive local SME needs and tailor programmes accordingly.

#### *Is UKTI fit for purpose?*

We welcome the progress that UKTI is making in supporting UK exporters through its national and regionally delivered services and through the FCO overseas posts.

The challenging Government targets will require UKTI to step up its performance and without significantly increased resources, it seems unlikely for example, that it will be able to reach the numbers of SMEs that are required.

In its plan to refocus UKTI to enable it to become a world-class export and investment promotion agency, Government must ensure UKTI provides a high level and quality of support that is available to *all* businesses across *all* markets, but equally one that is able to reflect and influence wider government policy in terms of any sector focus, for example engagement with Innovate UK etc.

A plan of action for UKTI is required, which should include:

- a Government commitment to *increasing* the funding available to UKTI over the long-term;

- Improved cross governmental alignment on export, for example ensuring UKTI reflects and is able to include wider policy, such as Innovate UK;
- an increased and sustained marketing campaign to raise awareness of UKTI services particularly amongst SMEs; and
- working with local partnerships to tailor services to meet distinctive local business needs and opportunities with increased devolution of powers and budgets to local areas.

#### *UKTI activities*

There are particularly positive references to *Passport to export*, the *Overseas Market Introduction Service (OMIS)* and *Market Visits/Trade Missions*. Whilst OMIS is seen as being of high quality overall, there are concerns it is too expensive for some SMEs; and that for businesses trying to deal with countries that fall outside the identified 'key high growth markets', the available support is more limited.

#### *Financial assistance*

Access to finance is a particular issue for SMEs. The majority of SMEs are still primarily reliant on bank financing and more needs to be done to encourage banks to increase lending to exporters.

The progress being made by UKEF is welcome but Government needs to enable it to step up its support in particular to SMEs to match the performance of the best of the overseas export credit agencies.

### **Introduction**

1. This Memorandum of evidence is submitted by the Chief Economic Development Officers Society (CEDOS). The Society represents Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary Councils. The Society carries out research, develops and disseminates best practice, and publishes reports on key issues for economic development policy and practice. Through its collective expertise, it seeks to play its full part in helping to inform and shape national and regional policies and initiatives.

2. We welcome the opportunity to submit evidence to the Business, Innovation & Skills Committee's Inquiry into exports and the role of UKTI. In framing our submission we have consulted with our members across the country. Our evidence sets out our overall views and focuses in particular on the questions set out under 'scope of the inquiry'.

#### **CEDOS overall views:**

#### **Importance of exports and the Government's targets**

3. Export success is essential to economic growth and employment in the UK both nationally and locally. As the Chair of this Committee said when launching

the current Inquiry – boosting exports is crucial to the future health of the UK economy. In his 2012 Budget, the Chancellor of the Exchequer set out the Government’s ambition to “double our nation’s exports to one trillion pounds by 2020.”<sup>1</sup> The Government’s other headline target is to increase the number of small and medium sized enterprises (SMEs) that export by 100,000. In 2011, the Prime Minister said that “Increasing the number of SMEs that sell overseas by 100,000 has the potential to add £30 billion to the UK economy. In other words, if we boost the number that export from around one in five to over one in four we could pretty much wipe out the trade deficit”<sup>2</sup>.

4. The scale of the challenge posed by these targets and the difficulty in achieving them is amply demonstrated by a whole series of statistics and analysis. Between 2000 and 2012, export growth rose by 5.2% p.a. on average (compound growth). To meet the target, exports will need to achieve a 10.1% annual growth rate between 2013 and 2020<sup>3</sup>.

5. On current trends both of these targets will be missed. Earlier this year, the House of Commons Foreign Affairs Committee said “The value of UK exports in goods and services was just £506.5 billion in 2013, significantly lower than where the Government would have expected to have been in order to meet its £1 trillion export target by 2020”<sup>4</sup>. The Committee referred to both the International Monetary Fund and Office for Budget Responsibility (OBR) indicating that “the UK is unlikely to achieve exports of £1 trillion by 2020, with the OBR estimating that UK exports will not even reach £800 billion”<sup>5</sup>.

6. A report from the British Chambers of Commerce in November 2015 revealed a drop in both export growth and confidence among UK exporters, with both falling to their lowest level since the second quarter of 2009. As John Longworth, Director General of the British Chambers of Commerce, has said: “Driving export growth is key to reducing the UK’s deficit and maintaining our global competitiveness. These figures make it clear that the UK’s export drive is at risk of going into reverse gear, precisely at the time when it needs to be moving forward”<sup>6</sup>.

7. As regards the SME target, the Government’s 2014 Small Business Survey showed that the proportion of SMEs exporting had not reached the level of one in four, with the proportion of SME exporters having declined from the levels seen in the last Parliament<sup>7</sup>. Moreover Only 19% of SMEs reported having capability in exporting.

8. The very real prospect of the targets not being met has led to some calling for them to be revised. Earlier this year the Foreign Affairs Committee said “The

---

<sup>1</sup> George Osborne, Chancellor of the Exchequer Budget speech to House of Commons 21 March 2012

<sup>2</sup> *Prime Minister’s speech on exporting and growth* David Cameron 10 November 2011

<sup>3</sup> *The UK’s export ambition: building on success - 2015 Reform* Barclays Export Index and policy summit, 24 March 2015

<sup>4</sup> *Ninth report of session 2014/15* House of Commons Foreign Affairs Committee 24 February 2015

<sup>5</sup> *Ibid*

<sup>6</sup> *Quarterly International Trade Outlook Q3 2015* British Chambers of Commerce & DHL 3 November 2015

<sup>7</sup> *2014 Small Business Survey 2014: SME employers– Employers Report* Department of Business, Innovation and Skills Research Paper No 214 2015

export target is very demanding: it appeared unrealistic at the time it was set and it is proving to be so now. We believe that the Government should set a new, more realistic target for UK exports<sup>8</sup>. Whilst this may prove to be necessary, CEDOS considers that it is right to set challenging targets and we have approached the questions being considered by the Committee on the basis of the targets that have been set by Government, which we support and consider should be maintained.

## **The Inquiry questions**

### **1. What policies are required to help meet the Government's headline targets of £1 trillion exports and 100,000 more companies exporting by 2020? In particular, what further support should be provided to help SMEs meet their export potential?**

#### **CEDOS Views:**

9. Improving this country's export performance must be a major priority backed by a cross-departmental policy framework that provides consistent, long-term and high-level support to boost exports in all parts of the country. Whether or not the Government adjusts its export target in the light of current and recent trends, it must retain a commitment to a target that is both ambitious and long-term. As the Chair of the independent Cole Commission into exports has said - the UK needs a 'step change' in its export performance<sup>9</sup>.

10. Internationally, there must be ongoing efforts to tackle tariff and non-tariff barriers to trade. The Government must be pro-active in promoting more free trade agreements with both emerging and established economies in particular through action at the EU level. Nationally, as well as direct support for exporters, there needs to be support for exports built into a range of policies across government including aviation capacity, the future relationship with the EU, immigration, industrial strategy and access to finance. As the CBI has pointed out, although they are areas of policy in their own right, "each has a fundamental impact on the UK's ability to grow its exports and punch its weight on the global stage"<sup>10</sup>.

11. The core part of policy must be effective support provided directly to existing exporters and to businesses who are not yet involved in exporting but have the capacity to do so. We look in more detail at the roles and activities of UKTI, the Foreign and Commonwealth Office and UK Export Finance in the questions that follow but we must emphasise that it is essential they are provided with the necessary Government priority and finance to enable them fulfil their export promotion roles effectively.

12. In the 2015 Comprehensive Spending Review/Autumn Statement it was announced that the government will refocus UKTI to enable it to become a world-class export and investment promotion agency. The Chancellor said £1.2 billion will be spent to overhaul UK Trade and Investments (UKTI) over four

---

<sup>8</sup> *Ninth report of session 2014/15* House of Commons Foreign Affairs Committee 24 February 2015

<sup>9</sup> Graham Cole Chair of Commission on Exports 2015

<sup>10</sup> *Business priorities for growing UK exports* Confederation of British Industry 2015

years to 2019/20, including £175 million reinvestment. However, the settlement appears to amount to a £42 million cut for UKTI over four years from its current annual budget of £299 million. After an initial £8 million boost next year, its budget will fall to £277 million by 2019/2020<sup>11</sup>.

13. On the broader issue of funding, access to finance continues to be a key issue in the efforts to boost export performance. The British Chambers of Commerce has called for greater access to finance to new and existing exporters<sup>12</sup>. The CBI has said “this government should support diverse sources of export finance and ensure that financial regulation has, as part of its core purpose, the objective of sustainable financing for the economy. We also need to increase access to finance in order to unlock the potential of our medium-sized businesses to expand overseas”<sup>13</sup>.

### **Geographical focus**

14. Turning to the geographical focus of the efforts to promote UK exports, there is much emphasis on high growth and emerging markets with UKTI receiving an additional £7.5 million to promote UK trade with China in the July 2015 Budget. Whilst this is welcomed, it must not be at the expense of supporting businesses to export to established markets. Notwithstanding the current problems in the Eurozone, the proximity of other European countries and the opportunities of the Single Market mean that there should be no diminution in the support available for exporters to these and other established markets. This is particularly important for meeting the Government’s target of increasing the number of SMEs that export by 100,000. Research by the Federation of Small Businesses shows that more than four out of five small exporters (82%) target countries within the EU<sup>14</sup>.

15. Within the UK, for export promotion, as with other areas of economic development, all local areas must be given the opportunity to realise their economic potential with, as far as possible, a level playing field on which to pursue economic action. In developing policy, in our view it is essential that UKTI resources are focused not only on areas and sectors with a strong export performance but also on areas and sectors where more needs to be done to stimulate export activity. A focus on both will be a necessary requirement for meeting the Government’s export targets.

16. Success in achieving significantly improved UK export performance will depend fundamentally on tapping local knowledge and understanding of business needs and opportunities. Whilst local areas have the benefit of accessing UKTI services regionally through delivery contracts in nine regions of the country, we believe even more could be achieved by more local devolution. We explore this issue in more detail in the next Inquiry question.

---

<sup>11</sup> *UK Trade and Investment's settlement at the Spending Review 2015 HMT/UKTI press release 25 November 2015*

<sup>12</sup> *International Trade Survey 2015* British Chambers of Commerce

<sup>13</sup> *Business priorities for growing UK exports* Confederation of British Industry 2015

<sup>14</sup> *FSB Voice of Small Business Index - Quarter 3, 2015* Federation of Small Businesses

## **Further support for SMEs to meet their export potential**

17. If the Government is to have any chance of even approaching meeting its target of increasing the number of SMEs that export by 100,000 and the target of doubling UK exports to £1 trillion by the end of the decade, it will have to look to significantly increasing its support for SMEs. They are variously estimated to account for 40% of total exports<sup>15</sup> to over half the value of UK exports<sup>16</sup>. However, in a recent report, City UK/Llewellyn Consulting have said “the proportion of UK SMEs that export is around one in five – below the EU average of one in four” and that in the UK “only 34% of medium-sized companies export, compared with 49% in Italy, 68% in Germany, and 85% in Spain”<sup>17</sup>.

18. Government policy must recognise that SMEs need intensive, dedicated and long-term support to begin and develop exports. It should include:

- prioritising advice and support to overcome identified barriers faced by SMEs, including access to finance;
- developing financial incentives to encourage and assist more SMEs to export;
- raising awareness and usage of UKTI services amongst SMEs;
- promoting e-exporting;
- engaging more effectively with private sector organisations to deliver export advice and support;
- working more closely with local areas to better understand distinctive local SME needs and opportunities and tailor programmes accordingly;
- identifying good practice from other countries and replicating in the UK where appropriate.

## **Prioritising advice and support to overcome barriers**

19. In 2013, the Federation of Small Businesses said small businesses reported a number of barriers to exporting with the main issues being: fluctuating exchange rates, finance and payment issues, dealing with regulation and difficulty in getting the product to market. Access to finance had become an increasing problem. These barriers highlight where advice and support can be prioritised to help small businesses but they will need to be regularly reviewed and priorities adjusted and refined accordingly.

## **Financial incentives**

20. Given the challenging target to reach £1 trillion of exports by 2020 and the specific target to increase the number of SMEs exporting, there is a case for

---

<sup>15</sup> *Enhancing the ability of UK SMEs to export* The City UK/Llewellyn Consulting October 2015

<sup>16</sup> *Enabling small businesses in the drive for more UK exports* Federation of Small Businesses June 2013

<sup>17</sup> *Ibid*

introducing selected financial incentives for SMEs, which could include export vouchers to be used against chargeable UKTI services and a system of export tax credits, provided these can be done within the de minimis arrangements under EU State Aid rules. Export tax credits could be along the lines of the existing research and development tax credits and be an extension on the current system to cover the research and development of new markets abroad and could be potentially a relatively simple and straightforward method of encouraging SMEs to export.

### **Raising awareness and usage of UKTI services**

21. An important part of achieving the Government's export targets is raising awareness of UKTI and its services. This is a particularly key issue for SMEs. In 2013, the Federation of Small Businesses in their survey reported small business awareness levels of UKTI at 50%<sup>18</sup>, whilst the BIS 2014 Small Business Survey reported the figure even lower at 39%<sup>19</sup>. The CBI in its 2015 Export Briefing referred to levels of awareness continuing to be a particular challenge among medium-sized businesses and smaller companies<sup>20</sup>.

### **Promoting e-exporting**

22. As the Cole Commission on Exports identified, there are more than 800,000 potential and existing exporters presently operating without a digital presence<sup>21</sup>. Local authorities across the country have made superfast broadband one of their top priorities. We agree with the Cole Commission that up-skilling in digital is essential for enhanced export success and the Government must spearhead a digital agenda, including a drive to get all businesses to 'go digital' by taking advantage of existing online e-commerce tools as a key to exporting. National research already indicates that SME's are not taking advantage of digital commerce opportunities, and further emphasis should be placed on enhancing this. Potentially this could be linked to extending connectivity schemes like the Connections Vouchers project, but with a clear focus on e-commerce and online trading in foreign markets.

### **Engaging private sector support**

23. For general business support, the BIS 2014 Small Business Survey found that SMEs are far more likely to seek information from their accountants, advisers and business networks than they are to consult Government bodies. Whilst this does not specifically refer to exporting, it does raise the question of harnessing support from key private sector organisations for export advice. The reality is that it will be extremely hard for UKTI to reach the many thousands of SMEs needed to meet the current target. It needs to engage more effectively with local Chambers of Commerce and other advisory organisations as part of the move to regional and more local devolution of its spend and services.

---

<sup>18</sup> *Enabling small businesses in the drive for more UK exports* Federation of Small Businesses June 2013

<sup>19</sup> *2014 Small Business Survey 2014: SME employers– Employers Report*, Department of Business, Innovation and Skills 2015

<sup>20</sup> *Business priorities for growing UK exports* Confederation of British Industry 2015

<sup>21</sup> *An Action Plan from Business* The Cole Commission on Exports June 2015

## **Working closely with local areas**

24. Success in enabling SMEs to meet their export potential will depend fundamentally on UKTI working more closely with local agencies and partnerships to better understand and meet distinctive local SME needs and tailor programmes accordingly. This will require increased devolution to local areas, which we look at in some detail later in this evidence.

## **Good practice from other countries**

25. It will be important for Government to continuously identify and examine good practice from other countries on export and pre-export support for example the German Export Credit Agency's 'Hermes Cover', Denmark's Export Start scheme, the Republic of Ireland's 'First Flight' initiative and the work of the US Small Business Administration. These and other examples should be assessed on an ongoing basis to identify lessons that can be learned and what could be applicable in this country.

## **One Stop Shop approach**

26. An example from the United States that is worthy of consideration for this country is the Export Assistance Centres, which are staffed by professionals from the US Small Business Administration, the U.S. Department of Commerce, the U.S. Export-Import Bank, and other public and private organisations. They provide a one-stop shop designed to provide export assistance for small or medium-sized businesses to help them compete in the global marketplace. The Cole Commission has suggested creating a one stop shop network in this country headed by the British Chambers of Commerce (BCC) to provide export services to current and potential SME exporters. However, it also said the potential for BCC to deliver the One Stop Shop would need to be reviewed and BCC would need to demonstrate it can scale up effectively<sup>22</sup>.

## **2. Is UKTI fit for purpose? Are the indicators used to measure its performance the right ones? How could UKTI be better held to account?**

### **CEDOS Views:**

27. We welcome the progress that UKTI is making in supporting UK exporters through its national and regionally delivered services and through the Foreign and Commonwealth Office (FCO), which with its network of overseas posts – Embassies, Consulates-General and High Commissions – performs a fundamentally important role in promoting exports and supporting UK businesses access to global markets.

28. Generally, it is acknowledged that exporters receive good support from UKTI. Indeed, the latest independent performance monitoring report shows 71% of users of its services reporting significant business benefit and a 75% quality rating for its trade services. Nevertheless, there are some mixed reports. In the course of its regional consultations, the CBI says that whilst the quality of

---

<sup>22</sup> *An Action Plan from Business* The Cole Commission on Exports June 2015

support is extremely high in some places, it still varies across geographies<sup>23</sup>. The Cole Commission also referred to UKTI's mixed performance. Whilst the UKTI's strong presence overseas was considered a virtue, its "service delivery across the UK was seen as variable, with some advisers much more capable than others"<sup>24</sup>.

29. There can be no doubt that the challenging targets set by Government will require UKTI to step up its performance but without significantly increased resources, it seems unlikely that it will, for example, be able to reach the numbers of SMEs that are required. The challenges facing UKTI in relation to resources likely to be available has led some to argue for it to deliberately narrow its focus. A report from Reform, an independent, non-party think tank concluded that there may be a need for greater targeting of UKTI and FCO support to large and large medium companies. The Cole Commission has said "UKTI's role should be to focus on the larger exporter segment – and continuing to put the weight of government behind our major exporters". The CBI has argued that limited resources should be focused on supporting businesses to enter high-growth markets, and in improving the organisation and planning of trade missions.

30. In the 2015 Comprehensive Spending Review/Autumn Statement, the Chancellor announced that the government will refocus UKTI to enable it to become a world-class export and investment promotion agency. It has not yet been revealed what this refocusing will involve but there could be a risk that it will result in UKTI having to narrow its focus and as a consequence reduce its reach.

31. In our view, if we are to improve UK export performance and ensure that all areas of the country are able to achieve their economic potential, narrowing the focus of UKTI would be a mistake. Government must ensure that UKTI provides a high level and quality of support that is available to *all* businesses across *all* markets. Only then will there be a real possibility of it meeting its demanding export targets, which we support.

32. For this a clear plan of action for UKTI is required, which should include:

- a Government commitment to increasing the funding available to UKTI over the long-term;
- improved cross governmental alignment on export, for example ensuring UKTI reflects and is able to include wider policy, such as Innovate UK;
- an increased and sustained marketing campaign to raise awareness and usage of UKTI services particularly amongst SMEs;
- continuing to develop and refine UKTI services to meet changing circumstances and as part of this identifying good practice from other countries and replicating in the UK where appropriate;

---

<sup>23</sup> *Business priorities for growing UK exports* Confederation of British Industry 2015

<sup>24</sup> *An Action Plan from Business* The Cole Commission on Exports June 2015

- UKTI working more effectively with local agencies and partnerships to tailor services to meet distinctive local business needs with increased devolution of powers and budgets to local areas, particularly recognising that in some cases local agencies will have differing relationships and entry routes into UKTI key accounts;
- harnessing support from key private sector organisations and developing better working between UKTI and these and other organisations including UK Export Finance, with co-location regionally and locally where possible.

### **Increased devolution to local areas**

33. Whilst local areas have the benefit of accessing UKTI services regionally through delivery contracts in nine regions of the country, we believe even more could be achieved by devolution to local areas. An example of what can be achieved is from Shropshire, which is a large geographic area that requires local knowledge to efficiently deliver business support including international trade services across the county. It is covered by an umbrella contract for the West Midlands under which UKTI services are delivered through six local chambers of commerce, including the Shropshire Chamber. This arrangement gives county businesses access to 36 International Trade Advisors, many with specific sectoral and market knowledge, and with further support from a team covering language and culture, export finance, marketing internationalisation, contracts and licences.

34. Some of the current headline statistics for Shropshire that show what is being achieved through this approach during the period April to November 2015 are:

- return on investment - £1 spend delivered £173 economic growth within Shropshire (business wins), expected to rise to over £200 by the end of March 2016;
- average economic growth per International Trade Advisor at £5,882,000;
- 427 companies attended exporting events in Shropshire with 247 companies being provided with detailed support; 36 medium sized companies started exporting in this period.

35. Greater devolution including devolved funding will enable a more proactive approach to promoting trade opportunities through local understanding of business strengths, key sectors and growth markets and allowing UKTI services to be tailored to meet particular local needs and opportunities. It is good to see that this approach is now being built into some of the devolution deals that have been agreed so far, as for example the Tees Valley Devolution Deal, agreed and signed with Government in October 2015, which states that “an export plan will be agreed between Tees Valley and UKTI which will allow Tees Valley flexibility with services tailored to meet local requirements. UKTI will also work with Tees Valley to ensure UKTI services are integrated into overall business support within Tees Valley with sharing of customer data and common marketing”.

36. Similar arrangements are covered in other agreed devolution deals e.g. Greater Manchester, Liverpool City Region, Sheffield City Region and West Midlands Combined Authority. The Greater Manchester Devolution Deal, for

example, refers to responsibility for devolved business support budgets, including UKTI Export Advice and states that “an export plan will be agreed between Greater Manchester and London UKTI HQ which will allow Greater Manchester flexibility (such as a specific local sectoral focus for Passport to Export and mid-sized business schemes or a different mix of products)”.

37. Earlier in this evidence we emphasised the importance of local areas having a level playing field on which to pursue economic action. It will be important that local areas across the country have the opportunity to have a more devolved approach to export promotion activity whilst at the same time ensuring that they continue to have access to UKTI services delivered nationally and through overseas posts.

### **Performance indicators and accountability**

38. UKTI’s key performance measurement tool is the Performance and Impact Monitoring Survey (PIMS), carried out independently. Whilst this looks comprehensive, it is desirable to put more emphasis on measuring business outcomes and value added. In doing so it must be recognised that achieving export success requires a long-term approach and that there can be a significant time lag between intervention and growth happening through export. As regards accountability, greater devolution to local areas should be accompanied by a greater local involvement in holding UKTI to account, where currently engagement with UKTI at a local level is at best variable, with data often not broken down to even LEP level.

### **3. What UKTI activities are most effective at increasing exports? What more could it do?**

#### **CEDOS Views:**

39. UKTI provides a range of services targeted at first-time exporters, SMEs, medium sized businesses as well as support available to all types of business. From the soundings we have taken with our member local authorities, there are particularly positive references to:

- *Passport to Export* - an export assessment and support programme for SMEs to provide new or inexperienced exporters with training, planning and support to grow their business overseas. It is delivered by UKTI’s regional international trade teams;
- *Overseas Market Introduction Service (OMIS)* - available to business at any stage of exporting, the service puts businesses in touch directly with UKTI staff in over 100 overseas markets to help:
  - access international contacts or partners;
  - find the best way to do business in a market;
  - achieve a successful market entry strategy;
  - increase profits by using effective overseas promotion.
- *Market Visits/Trade Missions* – a long established and successful approach to getting first-hand knowledge of and developing contacts in overseas markets.

40. Whilst the OMIS service is seen as being of high quality overall, there are some concerns that it is too expensive for some SMEs; and that for businesses trying to deal with countries that fall outside the identified 'key high growth markets', the available support is more limited.

41. On what more UKTI could do, in our view there is a need to:

- ensure the focus on high growth sectors, countries and high value opportunities does not lead to a lower level of support to businesses wishing to export to established markets. There should be a high level and quality of support available to *all* businesses across *all* markets;
- step up efforts to access and encourage small businesses to export but at the same time maintain a consistent focus across a range of target companies;
- develop a greater pool of informal mentors and best practice case studies to help raise export competence; Government should continue to do more to showcase small businesses that are successfully exporting and innovating. In this context we welcome the Government's recent announcements through the 'Exporting is GREAT' campaign;
- increase the use of local knowledge and insight through a more locally devolved approach with more devolved funding so that UKTI services can be tailored to meet the particular needs and opportunities of business in local areas as for example was achieved in Cornwall where the *Export Cornwall* programme, which was delivered using UKTI advisors and where the core package provided by UKTI was enhanced in order to reach businesses in Cornwall and the Isles of Scilly more effectively<sup>25</sup>;
- step up efforts to increase awareness and to promote and support key activities such as overseas trade missions/market visits;
- Provide more support for online e-commerce and trading support as part of targeted export support.

**What more can other bodies, such as the banks and UK Export Finance, do to provide financial assistance to companies seeking to export?**

**CEDOS Views:**

42. We have noted already that access to finance is a particular issue for SMEs and that both the CBI and the British Chambers of Commerce have called for greater access to finance to both new and existing exporters. The majority of SMEs are still primarily reliant on bank financing. It is of considerable concern therefore that the latest Export Index produced by Reform/Barclays indicates that the UK compares relatively poorly on the 'access to finance' measure,

---

<sup>25</sup> In this case the enhanced programme was able to be funded using ERDF Convergence Funding.

coming 20<sup>th</sup> in the group of 25 countries examined<sup>26</sup>. Clearly more needs to be done to encourage banks to increase lending to exporters especially SMEs. This also highlights the importance of the role of UK Export Finance.

43. UK Export Finance (UKEF) is the operating name of the Export Credits Guarantee Department (ECGD) and describes itself as: "the UK's export credit agency". Typically, UKEF helps businesses when the private sector finance and insurance market is unable to provide full support. The role of UKEF is not to replace the role of the commercial markets but to complement and partner with the banking and credit insurance commercial providers. It aims to bridge the gap between what insurers and banks can support and what businesses need to confidently trade with new and expanding overseas markets.

44. UKEF reports that over the last five years it has provided guarantees and insurance with an exposure value of £14 billion in support of over 220 exporting companies and that it has a total capacity of £50 billion to support UK exports, and that its products and services are available for over 200 overseas markets. There is evidence of progress. Its latest annual report<sup>27</sup> refers to a comparison of its product range showing it compared favourably with other export credit agencies and that the British Exporters Association had awarded UKEF a 9 out of 10 rating for its product range, against an EU average of 7.9.

45. The annual report refers to "strong continued support for UK exports" in which it increased business supported to £2.7 billion, up from £2.3 billion in 2013–14 and that in 2014–15 there was a further increase in the volume of business supported under its various products, involving 140 customers and exports worth more than £1.3 billion in contract value. It is making efforts to increase its support for smaller or medium-sized companies, both through its advisory service and through its expanded product range.

46. Whilst this progress is clearly welcome, it does need to be seen in a wider context. The latest annual report on German export credit guarantees<sup>28</sup>, which make a significant contribution to the success of German exports, states that in 2014 the German Federal Government issued export credit guarantees worth 24.8 billion euros (£17.8 billion) for exports to 164 countries with 72% of exporters supported being SMEs.

47. The Government needs to enable UKEF to step up its support for exporters and in particular for SMEs so that it is able to match the performance of the best of the overseas export credit agencies.

48. Consideration of possible European Structural and Investment Funds to support export to non EU territories should also be considered. This was originally considered as part of a national offer from UKTI, but was not taken forward. While local areas have been prioritising export promotion, recognising

---

<sup>26</sup> *The UK's export ambition: building on success - 2015 Reform Barclays Export Index and policy summit*, 24 March 2015

<sup>27</sup> *Annual Report and Accounts 2014–15* UK Export Finance June 2015

<sup>28</sup> *Hermes Cover - Export Credit Guarantees of the Federal republic of Germany Annual Report 2014* Federal Ministry for Economic Affairs & Energy

the economic impact it can have, the ability to secure local match funding against this can be a barrier to delivery.