
Export Credits Guarantee Department

Introduction

1. The Export Credits Guarantee Department (ECGD) has two Requests for Resources (RfRs), one covering export finance assistance and the other covering trading operations and operating costs.

2. Full details of all ECGD's activities are reported to Parliament in the annual Resource Accounts and published by The Stationery Office Limited as "ECGD: Annual Report and Resource Accounts", Cm 6217

RfR 1: To provide export finance assistance through interest support to benefit the UK economy by facilitating exports

3. This RfR provides for the resources needed by ECGD for its programme of financial support for exporters. Statutory Authority is given under sections 1 and 3 of the Export and Investment Guarantees Act 1991.

4. Section A provides for costs arising from interest equalisation agreements with lending banks under the fixed rate export finance scheme (FREF). This section also provides for payment of grants to lenders to meet the difference between fixed consensus rates and concessionary rates of interest offered on commercial loans for long-term projects in developing countries, or for certain long-term defence export contracts. It also incorporates the costs/savings arising from ECGD initiatives aimed at reducing or containing the cost of supporting exports, eg in connection with arrangements for capital market funding of fixed rate export finance loans and for certain interest rate swap arrangements. It also includes the mixed credit matching facility, which reduced the cost of export finance to match foreign competition in certain circumstances.

5. Section B provides for the funding of a refinancing programme currently undertaken by the Guaranteed Export Finance Corporation (GEFCO), a private sector company which operates on behalf of ECGD. Figures shown represent the funding loan and receipts of principal due under the loans plus interest equalisation between ECGD and GEFCO, which formerly fell within section A.

RfR 2: To provide export credit guarantees and investment insurance to benefit the UK economy by facilitating exports

6. This RfR provides for resources consumed by ECGD in providing credit insurance and other support activities for exporters including cover against certain risks for new direct overseas investment. Statutory authority for these activities is given in sections 1, 2 and 3 of the Export and Investment Guarantees Act 1991. This RfR also provides the resources to be consumed by ECGD in administering the operations described in this RfR and RfR1. Capital Expenditure and the associated depreciation and capital charges (Section A) are classified as expenditure within the Departmental Expenditure Limit (DEL). Administration costs (Section B) are outside both DEL and AME (Annually Managed Expenditure) as they are met from trading income – Premium Income and Moratorium Interest (Sections C and D). Charges made to exporters for the Department's services largely anticipate the recovery of related costs. Further Trading Expenses of £7.2 million are provided for in Section C.

7. Section A provides for the new expenditure on fixed assets expected for 2004-05 together with the resources consumed to maintain ECGD's fixed assets including depreciation and capital charges.

Introduction (*continued*)

8. Section B provides resources for ECGD's administration costs.
9. Section C provides for the resources consumed in the issuance and management of credit insurance guarantees and obligations arising from debt rescheduling agreements and costs relating to other forms of guarantee including cover to banks financing insured exports, indemnities for banks and surety companies issuing bonds against calls by overseas buyers, reinsurance arrangements with other countries' credit insurance organisations for jointly sourced goods and residual commitments under schemes which have been discontinued. Expenses in connection with the provision of these services are also covered and include commission to brokers for negotiating and administering ECGD guarantees, charges by agents for information on company and market risks, legal fees and professional advice on underwriting of guarantees and assessments of risk and liability and costs arising out of action taken to avoid or minimise potential loss or recover payments under guarantees.
10. Section D provides for claims, related expenses and recoveries under contracts insuring UK companies investing overseas against certain political risks.
11. Section E provides resources for ECGD to manage its portfolio by operating an Active Portfolio Management Risk Transfer Programme (the "APM Programme"), which is intended to mitigate risks in the ECGD portfolio (or any part of it) through arrangements with the private and/or public sectors, whether in the United Kingdom or overseas.
12. Symbols are explained in the Introduction to this booklet.

Part I

	£
Request for Resources 1: To provide export finance assistance through interest support to benefit the UK economy by facilitating exports	229,250,000
Request for Resources 2: To provide export credit guarantees and investment insurance to benefit the UK economy by facilitating exports	1,000
Total net resource requirement	229,251,000
Net cash requirement	1,000

Amounts required in the year ending 31 March 2005 for expenditure by the Export Credits Guarantee Department on:

RfR 1: To provide export finance assistance through interest support to benefit the UK economy by facilitating exports

Interest support to banks and other lenders of export finance, grants towards financing of exports to match foreign competition, the funding of the refinancing programme, and on associated non-cash items.

RfR 2: To provide export credit guarantees and investment insurance to benefit the UK economy by facilitating exports

Export credit guarantees given in the national interest or to render economic assistance to overseas countries, overseas investment insurance, residual commitments under discontinued facilities, the cost escalation scheme subvention for the active management of the portfolio, and on associated non-cash items.

The **Export Credits Guarantee Department** will account for this Estimate.

	Net total	Allocated in Vote on Account	Balance to complete
	£	£	£
RfR 1	229,250,000	100,525,000	128,725,000
RfR 2	1,000	—	1,000
Total net resource requirement	229,251,000	100,525,000	128,726,000
Net cash requirement	1,000	105,065,000	—105,064,000

Part II: Subhead detail

£'000

2004-05						2003-04 Provision	2002-03 Outturn		
Resources						Capital		Net Total Resources	Net Total Resources
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A		
1	2	3	4	5	6	7	8	9	10
RfR 1: To provide export finance assistance through interest support to benefit the UK economy by facilitating exports									
-	131,211	159,434	290,645	61,395	229,250	105,000	105,000	223,388	279,151
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A Fixed Rate Export Finance									
-	111,520	-	111,520	61,395	50,125	-	-	56,585	99,196
Non-budget									
B GEFCO loans and interest equalisation									
-	19,691	159,434	179,125	-	179,125	105,000	105,000	166,803	179,955
RfR 2: To provide export credit guarantees and investment insurance to benefit the UK economy by facilitating exports									
-	53,901	104,494	158,395	158,394	1	545	-	1	1
Spending in Departmental Expenditure Limits (DEL)									
<i>Central Government spending</i>									
A Administration									
-	673	-	673	-	673	545	-	776	691
Non-budget									
B Admin - Running Costs									
-	-	34,688	34,688	-	34,688	-	-	35,464	26,007
C Export Credits									
-	53,228	-2,194	51,034	152,394	-101,360	-	-	-44,514	-19,697

Part II: Subhead detail (continued)

£'000

2004-05						2003-04 Provision	2002-03 Outturn			
Resources						Capital		Net Total Resources	Net Total Resources	
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A			
1	2	3	4	5	6	7	8	9	10	
D	Overseas Investment Insurance									
	-	-	-	-	6,000	-6,000	-	-	-6,825	-7,000
E	APM									
	-	-	72,000	72,000	-	72,000	-	-	15,100	-
Total for Estimate:										
	-	185,112	263,928	449,040	219,789	229,251	105,545	105,000	223,389	279,152

Part II: Resource to cash reconciliation

	2004-05		2003-04		2002-03	
	Provision		Provision		Outturn	
	£'000					
Net Total Resources		229,251		223,389		279,152
Voted capital items						
Capital		105,545		115,545		777,839
Less Non-operating A-in-A		105,000		115,000		592,942
Total net voted capital		545		545		184,897
Accruals to cash adjustment						
Adjustments to remove non-cash items:						
Cost of Capital charges		-212,788		-227,951		-260,393
Depreciation		-547		-623		-539
New provisions and adjustments to previous provisions		9,419		66,992		117,103
Profit/loss on sale of assets		-		-		-
Prior period adjustments		-		-		-
Other non-cash items		-197,817		47,791		-
Increase (+) / Decrease (-) in stock		-		-		-
Increase (+) / Decrease (-) in debtors		-25,794		92,937		-204,176
Increase (-) / Decrease (+) in creditors		-46,893		30,396		-702
Use of provisions		-		-		-
Total accruals to cash adjustments		-474,420		9,542		-348,707
Excess cash to be CFERd		244,625		-		-
Net Cash Requirement		1		233,476		115,342

Part III: Extra receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):-

	2004-05		2003-04		2002-03	
	Provision		Provision		Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Operating income not classified as AinA	137,234	<i>137,234</i>	202,266	<i>202,266</i>	294,640	<i>91,264</i>
Non-operating income not classified as AinA	370,318	<i>370,318</i>	390,000	<i>390,000</i>	-	-
Other amounts collectable on behalf of the Consolidated Fund	178,724	<i>184,000</i>	188,064	<i>188,064</i>	185,770	<i>166,305</i>
Excess cash receipts to be surrendered to the Consolidated Fund	-	<i>244,625</i>	-	-	-	-
Total	686,276	<i>936,177</i>	780,330	<i>780,330</i>	480,410	<i>257,569</i>

Forecast Operating Cost Statement

	2004-05 Provision	2003-04 Provision	2002-03 Outturn	£'000
Net Administration Costs				
RfR 1	-	-	-	
RfR 2	-	-	-	
Total Net Administration costs	-	-	-	-
Net Programme Costs				
RfR 1	229,250	223,388	279,151	
RfR 2	-137,233	-202,265	-294,639	
Total Net Programme costs	92,017	21,123	-15,488	
Total Net Operating Cost	92,017	21,123	-15,488	
<i>of which:</i>				
Net Resource Outturn	229,251	223,389	279,152	
CFERs	-137,234	-202,266	-294,640	
Non-voted expenditure	-	-	-	
Resource Budget Outturn	-127,926	-130,703	-85,883	

Notes to the Main Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000		
	2004-05	2003-04	2002-03
	Provision	Provision	Outturn
Net Resource Outturn (Estimates)	229,251	223,389	279,152
<i>Adjustments to remove:</i>			
provision voted for earlier years	-	-	-
<i>Adjustments to additionally include:</i>			
non-voted expenditure in the OCS	-	-	-
Consolidated Fund Extra Receipts in the OCS	-137,234	-202,266	-294,640
Other adjustments	-	-	-
Net Operating Cost (Accounts)	92,017	21,123	-15,488
<i>Adjustments to remove:</i>			
capital grants to local authorities	-	-	-
capital grants financed from the Capital Modernisation Fund	-	-	-
European Union income and related adjustments	-	-	-
voted expenditure outside the budget	-178,453	-166,028	-179,265
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	137,234	202,266	294,640
resource consumption of non departmental public bodies	-	-	-
unallocated resource provision	-	-	-
Other adjustments	-178,724	-188,064	-185,770
Resource Budget Outturn (Budget)	-127,926	-130,703	-85,883
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	673	776	691
Annually Managed Expenditure (AME)	-128,599	-131,479	-86,574

Reconciliation of capital expenditure between Estimates and Budgets

	£'000		
	2004-05	2003-04	2002-03
	Provision	Provision	Outturn
Net Voted Capital Outturn (Estimates)	545	545	184,897
<i>Adjustments to remove:</i>			
gains / losses from sale of capital assets	-	-	-
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	-370,318	-390,000	-
capital spending by non-departmental public bodies	-	-	-
capital grants to local authorities	-	-	-
capital grants financed by the Capital Modernisation Fund	-	-	-
local authority credit approvals	-	-	-
capital spending by levy funded bodies	-	-	-
unallocated capital provision	-	-	-
Other adjustments	-	-	-
Capital Budget Outturn (Budget)	-369,773	-389,455	184,897
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	545	545	588
Annually Managed Expenditure (AME)	-370,318	-390,000	184,309

Notes to the Main Estimate *(continued)*

Explanation of Accounting Officer responsibilities

The Interim Chief Executive of the Export Credits Guarantee Department, Mr John Weiss, is Principal Accounting Officer with overall responsibility for preparing the Department's Estimate.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Government Accounting*.

Notes to the Main Estimate *(continued)*

Analysis of appropriations in aid (A in A)

	£'000					
	2004-05 provision		2003-04 provision		2002-03 outturn	
	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A
RfR 1: To provide export finance assistance through interest support to benefit the UK economy by facilitating exports						
Interest make-up receipts	61,395	—	114,219	—	129,755	—
Repayment of loan principal	—	105,000	—	115,000	—	592,942
Total RfR 1	61,395*	105,000**	114,219	115,000	129,755	592,942
*Amount that may be applied as appropriations in aid in addition to the net total, arising from the recovery of income from interest make-up receipts.						
**Amount that may be applied as non-operating appropriations in aid in addition to the net total arising from repayment of loan principal.						
RfR 2: To provide export credit guarantees and investment insurance to benefit the UK economy by facilitating exports						
Premium and moratorium interest income	158,394	—	89,393	—	—	—
Total RfR 2	158,394*	—	89,393	—	—	—
*Amount that may be applied as appropriations in aid in addition to the net total, arising from premium and moratorium interest.						
Total A in A	219,789	105,000	203,612	115,000	129,755	592,942

Analysis of Consolidated Fund extra receipts

	£'000					
	2004-05 provision		2003-04 provision		2002-03 outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
RfR 1:						
Loan repayments (surplus principal and interest)	549,042	554,318	578,064	578,064	185,770	166,305
RfR 2:						
Premium and moratorium interest (income); premium, recoveries of claims payments, moratorium interest (receipts).	137,234	381,859	202,266	202,266	294,640	91,264
Total	686,276	936,177	780,330	780,330	480,410	257,569

Notes to the Main Estimate *(continued)*

Administration cost limits and Departmental Expenditure Limits

Departmental Expenditure Limits (DEL)	£'000		
	Voted*	Non-voted	Total
Resource DEL	673	—	673
Capital DEL	545	—	545
Less depreciation	-547	—	-547
Total DEL	671	—	671

- * i. *Capital DEL includes items treated as resource in Estimates and Accounts, but which are treated as part of Capital DEL, under stage 2 of Resource Accounting and Budgeting, as implemented in the 2002 Spending Review*
- ii. *Excludes EU receipts included in Estimates, but excluded in Budgets*

Comparisons of provision sought with final provision and forecast outturn for the previous year

The total net resource sought for 2004-05 of £229,251,000 is 2.6 per cent higher than the final provision and forecast outturn for 2003-04 of £223,389,000.

Notes to the Main Estimate *(continued)*

Cash which may be retained to offset expenditure

£'000

Cash which may be retained by the department to offset expenditure in the year due to its relationship with income (operating and non-operating) that has been or will be appropriated in aid

	2004-05 provision	2003-04 provision	2002-03 outturn
	324,787	441,945	722,697

Contingent Liabilities

RfR 1

As at 31 March 2003 contingent liabilities chargeable to the Consolidated Fund in connection with activities provided for in this RfR were under Section 1 (£3,981 million) and Section 3 (£844 million) of the Export and Investment Guarantees Act 1991.

RfR 2

As at 31 March 2003 contingent liabilities chargeable to the Consolidated Fund in connection with activities provided for in this RfR were under Section 1 (£19,108 million), Section 2 (£862 million) and Section 3 (£2,624 million) of the Export and Investment Guarantees Act 1991.