

## MINUTES OF MANAGEMENT BOARD MEETING – 28 JANUARY 2009

Present:	Mr Pimlott (Chair)	Mr Sharp	Item 4
	Mr Crawford	Mr Foister	Item 7
	Mr Addison Smith	Mr Allwood	Items 5 and 7
	Mr Dodgson	Mr Croall	Item 7
	Mr Harrison	Mr Snowdon	Item 6
	Mr Haslehurst	Mr Faulkner	Item 6
	Ms Letsinger	Mr Welsh	Item 6
	Mr Ridley	Mr Sherwani	Item 6
	Mr Havelock		

Apologies: Mr Godfrey

Secretary: Dr Phillips

### 1 **Draft Minutes of 18 December meeting and Matters Arising**

1.1 The draft minutes of 18 December meeting were approved with minor corrections.

### 2 **Model Publication Scheme**

2.1 Management Board (MB) discussed ECGD's Publication Scheme.

### 3 **Management Board Terms of Reference**

3.1 MB reviewed the Terms of Reference and noted the proposed changes. MB asked the Secretariat to ensure that the MB and AC terms of reference were consistent. The MB terms of reference were agreed.

### 4 **Q3 Performance**

4.1 ECGD's Q3 performance was presented to MB, which noted the large foreign exchange (FX) gain that had been realised through the quarter. MB requested that in future the FX effects be isolated from the underlying numbers.

4.2 MB was informed that ECGD was proposing to its auditors that the cash and credit underwriting funds be combined into one account for simplicity, as the large majority of business now flowed through the "credit" underwriting funds.

- 4.3 With respect to the Pricing Adequacy Index (PAI) forecasts, MB was informed that relatively large moves in Sterling-US dollar FX rate would not significantly affect the PAI forecast figures.

## **5 A Dirty Business? Manifesto for action on the ECGD**

- 5.1 MB discussed this manifesto. It was proposed that a presentation should be made to the forthcoming EGAC meeting on 16 February, and that EGAC should be sufficiently briefed to allow them to provide Ministers with informed advice, if required.

## **6 Market Engagement**

- 6.1 MB was presented with an update on ECGD Market Engagement, covering civil aerospace and non-aerospace sectors. It was noted that banks were indicating a lack of willingness to fund civil aerospace and non-aerospace transactions, even with a zero-capital weighted ECA guarantee.
- 6.2 MB was informed that both the French and German Governments appeared to be considering enhanced support on the funding of civil aerospace business.
- 6.3 Experience from a recent trip to South Africa suggested that ECGD was not familiar to overseas sponsors and governments, but that there was an appetite for UK goods and services when ECGD's approach was explained. MB noted that the benign market environment preceding the financial crisis might have resulted in a lower awareness of ECGD's products than had historically been the case; additional market engagement activity could accordingly be justified.
- 6.4 With the assistance of Credit Risk Analysis Division (CRAD) and UK Trade and Investment (UKTI), some key overseas markets had been identified, on which the Market Engagement Team would focus.
- 6.5 MB requested a six-monthly update on the Market Engagement Strategy.

## **7 International Update**

### OECD Arrangement

- 7.1 MB was advised of recent developments in relation to temporary changes to the OECD Arrangement.
- 7.2 One permanent and two temporary amendments had been agreed. The permanent change was that all countries, except High Income OECD countries, would now be eligible for a credit period of up to ten years.
- 7.3 The temporary changes were: (i) an immediate increase in the level of ECA Participation permitted from 35% to 50% in Project Finance transactions in High Income OECD countries, and (ii) more flexible repayment profiles for Renewable Energy and Water Projects.
- 7.4 Both of the temporary amendments would be reviewed later in 2009 to consider whether extensions should be permitted.
- 7.5 ECGD, along with other ECAs, had expressed the view that longer-term changes should not be agreed solely on the ground of the current financial crisis.

### Premium discussions

- 7.6 MB was advised on recent discussions regarding a new premium rate regime in the OECD. In prior meetings, it had been agreed that any new system should use risk-based rates, read across to the S&P rating structure, and use S&P agency data for calculating Expected Loss data.
- 7.7 ECGD was to host a meeting in February to consider a proposal put forward in a joint paper by the UK, Canada, Italy and Finland. Agreement would be sought on issues surrounding the level of granularity of the new system. The UK paper had proposed an eight-notch system, inclusion of unexpected losses in the rates, and raised the issue of whether there should be any agreed premium rate reductions for favourable terms and permitted exceptions.
- 7.8 As part of the OECD outreach programme, the BRIC states had been invited as observers at these discussions and were expected to attend in February.

Environment, Bribery and Corruption, Sustainable Lending

- 7.9 MB was informed that a review of the Common Approaches was due to be concluded by the end of 2010 and that ECGD was preparing for this. The main aim was to ensure a more rigorous application of the current Common Approaches rules by all participants.
- 7.10 With respect to Supply Chain Due Diligence issues, a meeting of the OECD Environmental Practitioners was due to take place in early-February at which ECGD would be presenting on its progress and efforts in this area.

**Dr Phillips**

**Chief Executive's Office**