



## INTRODUCING THE NEW UKEF 2.5 BILLION GBP CREDIT FACILITY FOR BRITISH-UKRAINIAN TRADE AND RELATED INVESTMENT

The UK initiated a huge 2.5 billion GBP credit facility ("Credit Facility") for trade and related investment with Ukraine on 8 October 2020, in conjunction with the new Agreement on Political Cooperation, Free Trade and Strategic Partnership between Ukraine and the UK. This Credit Facility is managed by UK Export Finance (UKEF). It constitutes the greatest recent development to finance foreign trade and investment with Ukraine.

This article summarises the highlights of the BUCC's Webinar on this Credit Facility held on 23 February, 2021, to explain how UK and Ukrainian exporters and importers can benefit from it in practice.

To begin with, through this Credit Facility, Ukrainian importers and British exporters can access funding in varying amounts for very long terms (up to 10 to 18 years, depending on the activity involved) at very reasonable interest rates. For amounts under GBP 5 million, loans to Ukrainian importers and British exporters can be agreed directly through authorized Ukrainian and UK banks that have agreements for such lending to be guaranteed by UKEF. Up to 85% of the cost for a transaction or project can be so financed. The types of expenses that can be covered are very broad, and can include not just exports of goods and services, but also product development, working capital and other associated expenses. While investment in a project per se is not covered, it can effectively be UKEF financed in connection with exports of goods and/or services for the project. UKEF can be very innovative, so it is possible to structure a variety of types of project financings and other transactions using UKEF finance.

### WHAT IS UKEF

UKEF is the operating name of the British government's Export Credits Guarantee Department. It is regularly rated as one of the world's best export credit agencies. UKEF can enhance the credit worthiness of transactions and projects by using the very high UK sovereign credit rating as the basis for on-lending, and the giving of guarantees to banks that lend, to the Ukrainian

buyers of British exports, as well as to the British exporters. By cutting the risk for exporters and for the banks providing finance, transactions for Ukraine that have previously been impossible can now be undertaken. For example, most production equipment can now be imported and paid for over the life of the equipment, with the exporter being paid immediately by UKEF, that is then repaid over time.

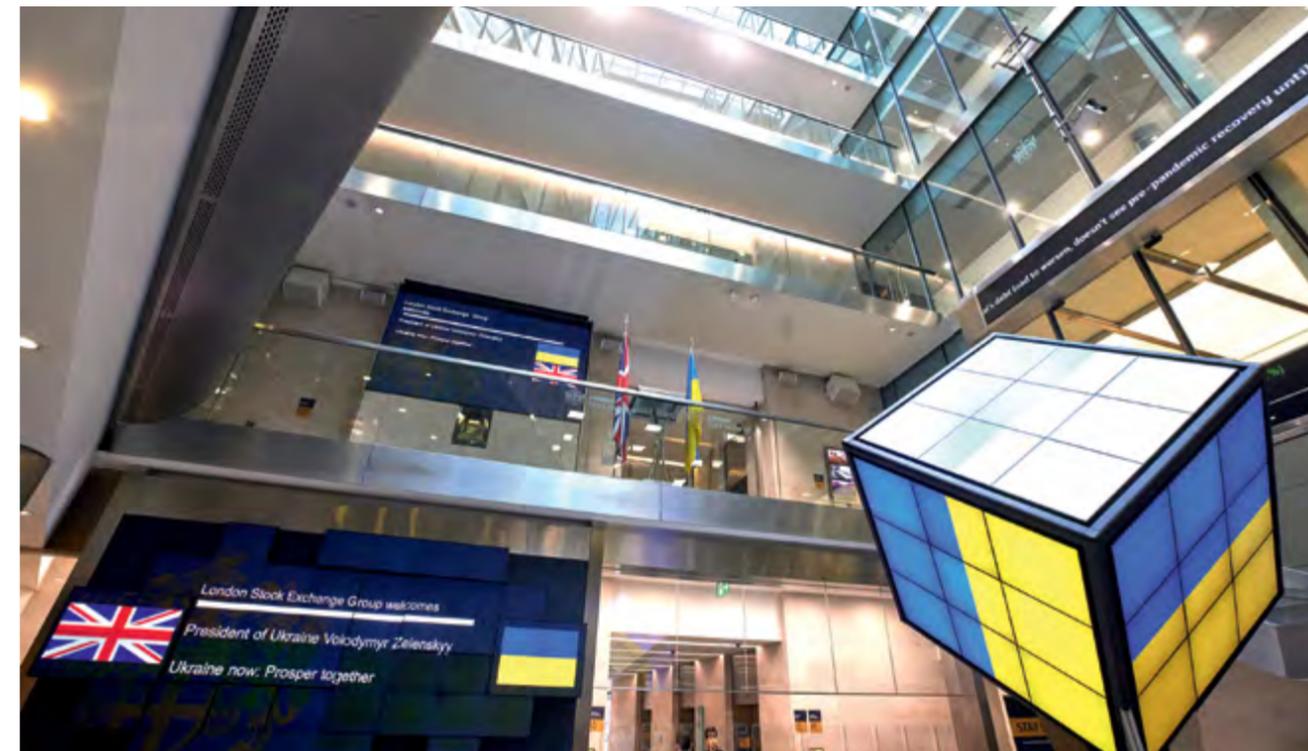
The UK can thereby meet the needs for most Ukrainian trade and projects, as the world's ninth largest manufacturer and a world leader, in particular, in advanced manufacturing, advanced aerospace, automotive, rail and marine design and engineering, and other engineering of all sorts, infrastructure, architectural design, ship-building, transport in general, advanced materials, vaccines and pharmaceuticals, and many other sectors. With minimum required UK content of only 20%, UKEF funding can usually be used to finance related goods and services involved in a transaction or project that are coming from Ukraine and other countries.

UKEF does not aim to compete with the private sector, but rather to fill in the gaps where the private sector cannot lend, which for Ukraine is especially problematic due to the perceived country risk. It can often be impossible in Ukraine to obtain long-term finance.

### DESIRABLE SECTORS

The Export Facility's credits are allocated on a "first come – first served" basis. While UKEF can consider lending for most types of transactions and projects, UKEF is especially interested in supporting the following areas in Ukraine:

- 1) **Agriculture and Aquaculture**;
- 2) **Transport Infrastructure and Construction**, including for hospitals, bridges, green buildings, clean transportation, sustainable water and wastewater management;
- 3) **Renewable Energy Industries**, such as onshore and offshore wind, solar, green and low carbon technology, electric vehicles,



The London Stock Exchange Group welcomes Ukrainian President Volodymyr Zelenskyy during his October 2020 visit to the UK that saw the signing of a new Agreement on Political Cooperation, Free Trade and Strategic Partnership between Ukraine and the UK (Photo: president.gov.ua)

hydrogen energy and the civil nuclear sector;

- 4) **Health Care**, including for the supply of vaccines and other pharmaceuticals;
- 5) **Civil Aerospace and Aircraft**;
- 6) **Mining** (but not for oil, gas and coal);
- 7) **IT** in all forms, including agritech, fintech, medical technology, educational technology, the Internet of Things, artificial intelligence, gaming, etc; and
- 8) **Defence and Security**, including to provide equipment for the Ukrainian Army, Navy and Air Force.

### PROJECT STRUCTURES

UKEF can flexibly work with a variety of different structures for private and public buyers. In addition to the usual loans and guarantees, transactions and projects can be structured using project finance with limited recourse, public private partnerships ("PPPs"), capital market transactions, refinancing, and many other forms for transactions.

### ELIGIBILITY CRITERIA

While past UKEF deals have financed transactions with a value of up to GBP 1.2 billion for large companies, the majority of UKEF's financings has been to support small and medium-sized enterprises ("SMEs"). The following criteria apply:

- 1) **Minimum 20% UK Content**. A great variety of goods and services produced in the UK by UK or foreign-owned companies can count to satisfy the requirement for a minimum of 20% UK content, including even legal and

accounting services and intangible assets.

- 2) **Period for Repayment**. The term must be at least 2 years, with 10 years being typical for long-term projects, though depending on the activity involved, the term can go up to 18 years, for example for water and renewable energy projects.
- 3) **Borrower Status**. In principle, a borrower must have a creditworthy record, with three years of audited accounts, though exceptions can be made depending upon the situation.
- 4) **Bank**. The bank involved must be acceptable to UKEF, which has a panel of approved partner banks in the UK and Ukraine to arrange and administer loans on UKEF's behalf or with UKEF's support.
- 5) **UKEF Premium**. Minimum risk standards must be met for transactions. UKEF charges a premium for the risk they take, determined on case-by-case basis.
- 6) **Ethical Compliance**, based on an assessment of environmental, social and human rights impacts as well as for bribery and corruption risks.

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### HOW TO APPLY

To find out more or to discuss a project with the UKEF team, please email UKEF: [customer.service@ukexportfinance.gov.uk](mailto:customer.service@ukexportfinance.gov.uk)