

Export Finance Industry Report

2020



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Foreword

Of the many “Vision 2020” thought pieces that went out over the past 12 months, very few will have predicted the situation we find ourselves in now. The Covid-19 pandemic has brought about unprecedented disruption and pain to businesses, families and societies alike.

Navigating the path into a post-Covid-19 environment and getting economies moving again is a monumental task that will challenge us all. A particularly heavy load will be borne by export credit agencies, and all those who work across export finance.

As a notoriously counter cyclical product, now is the time for export finance to step up. Governments will channel liquidity via their ECAs, and borrowers in developed and emerging economies will find that export finance solutions work for them where other financial products no longer can.

Against this backdrop, TXF is proud to introduce our 7th annual Export Finance Industry Report - our most ambitious and timely to date.

Using a combination of surveys and interviews, TXF has sought the views of over 300 importers, exporters, banks, law firms, ECAs, brokers and underwriters. The report takes the pulse of the industry during this most challenging time and provides unique insight into who is driving this business forward, what is working, what is not working, and who is going to be best placed to lead the charge for the industry over this critical next 12 months.

I would like to thank our head of research Dr Tom Parkman and the rest of the TXF team for all their hard work in putting this together. I would also like to thank Valentino Gallo, Topi Vesteri, and John Dewar for taking the time to review the report before it went to publication. Your time and expertise have been invaluable in making the report even more insightful and thought-provoking.

Finally, I'd also like to extend my enormous gratitude to all across the industry that have inputted into this report. I have always felt very proud that we get to cover this complex, engaging and crucial industry. In 2020, that pride is stronger than ever.

I hope you enjoy the report and wishing you the very best for year ahead. You will all do fine work; I have no doubt.



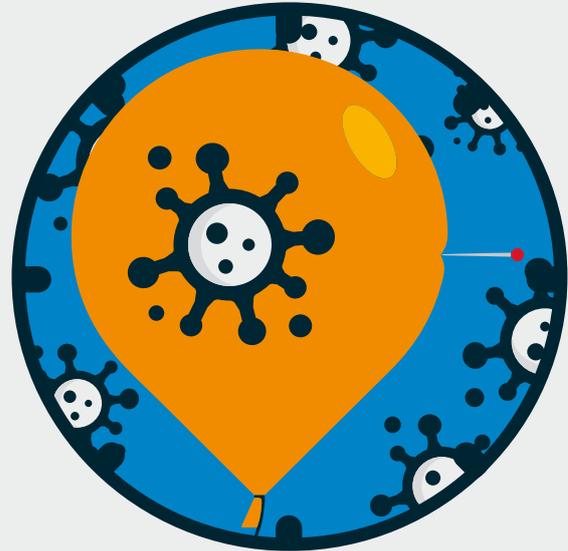
Dan Sheriff
CEO,
TXF



Executive summary

Prior to Covid-19, there was a positive outlook on the next 12 months of the export finance industry.

After a relatively flat 2019, banks in this report expressed appetite to increase the export finance lending activity in the Middle East, North America and Central and South America, with exporters and importers keen to do more in North America, Asia Pacific and Europe. Looking at the sectors, banks surveyed in this report are set to increase their activity in telecommunications, metals and mining, and petrochemicals, with exporters and importers looking to do more in manufacturing, oil and gas and infrastructure. However, the Covid-19 pandemic has dampened this outlook, causing many to shift their relative optimism to a downbeat outlook for the next 12 months of the industry.



Sanctions continue to frustrate many in the industry.

Following the 2019 edition, sanctions, coupled with ongoing geopolitical tensions in key regions, the US-China trade war and the oil price collapse deriving from the commercial tensions between Russia and Saudi Arabia continue to bubble under the surface. Compounded by issues with the banks' credit appetite and an extreme uncertainty about key export markets, there are numerous challenges that the industry continues to face. While these were present prior to Covid-19, and might be considered independent of the pandemic, the viral outbreak will only serve to amplify these challenges.



A growing support for all things green.

This report found that 70% of banks, 69% of ECAs and 63% of exporters and importers were prepared to accept lower economic returns if it ensured their ESG goals are met. To add to this, there is a growing optimism that sustainability and ESG-linked practices are becoming a key determinant in decision making, with more than 50% of the respondents stating that sustainability should be at the centre of decision making. With this outlook, the future of the export finance industry is looking green.



Coal, nuclear and defence are the top three sectors where respondents will no longer operate in the future.

These sectors were reported as being the main areas where banks, exporters and importers and ECAs will no longer look to operate in, but it is important to caveat the findings with a more nuanced overview. While these sectors now carry with them a stigma, they have not always done so and as this report shows, simply no longer working in stigmatised sectors is not such a binary choice.



Exporters and importers should look to gain further clarity on the material adverse changes (MAC) and event of default (EOD) clauses in their lending facility agreements.

The prevailing opinion is that force majeure is the main factor that should be explored by active members of the export finance industry and while that is true, it is vitally important that exporters and importers understand the MAC and EOD clauses of the lending facility agreements. These clauses are often very fact-specific and therefore, should be reviewed carefully. Understanding what is covered by the clauses will help exporters and importers recognise how the value of their businesses will be impacted and if they may be subject to lenders cancelling the lending agreement.



Overall, the banks, ECAs and law firms are rated positively by their own exporter and importer clients.

With a total average of 3.5, 3.6 and 3.9 across the banks, ECAs and law firms, respectively, this report found that the most valued attributes by exporters and importers (banks: product offering; ECAs: risk appetite and; law firms: legal expertise) were also the highest scoring attributes across the institution types.

In uncertain times such as these, it is vitally important that banks, ECAs and law firms effectively engage and communicate with their clients. It is reassuring then, that the exporters and importers in this report feel supported and are being guided through the Covid-19 pandemic as best as possible.

Introduction

'After a relatively flat year in 2019, TFX Data predicts a strong 2020 for export finance activity, a forecast supported by the market sentiment and optimism of respondents in this report', is how I anticipated the introduction of this report to begin. Current circumstances, however, dictate that a different, and unfortunately more pessimistic introduction, is required.

Severe acute respiratory syndrome coronavirus-2 (SARS-Cov-2), more commonly known as Covid-19 or coronavirus¹, has impacted the world in a way that almost no one predicted. First and foremost, the global Covid-19 pandemic is a humanitarian crisis, presenting almost impossible challenges for national healthcare

systems and the healthcare professionals and scientists working in them to battle the virus. For all their best efforts, this has not been enough to save hundreds of thousands of people. At the time of this report being finalised for publication (May 31st, 2020), Covid-19 has infected 2,544,792 people and claimed the lives of 175,694 people worldwide (World Health Organisation, 2020).

The impact of Covid-19 on the global economy makes for no lighter reading. Here is a summary of the latest forecasts from some of the world's leading economic commentators:

European Commission

A 9.7% decrease in global trade by the end of 2020.

Covid-19 is expected to cause a contraction of 9.2% in EU exports and services. This amounts to approximately €285 billion.

Covid-19 is expected to cause a contraction of 8.8% in EU importers, equating to approximately €240 billion. Manufacturing, transport and electrical machinery are expected to be the most severely affected with a predicted contraction of more than 10% in these industries.

Financial Times

The Chinese, European and US economies are forecast to contract by as much as 20% in H1 2020, more than triple that of the 2008 financial crisis.

By the end of 2020, the US economy is forecast to have contracted by between 11% and 12%.

International Monetary Fund

The global economy is expected to shrink by 3%, equating to approximately \$2.7 trillion².

Major advanced economies (the G7 nations) are predicted to be the worst hit, with an average contraction of 6.2% (\$5.9 trillion).

Western Europe is predicted to shrink by 7.5%, or \$6.8 trillion.

United Nations

The global economy could shrink by 0.9%. Prior to Covid-19, the economy in 2020 was forecast to grow by 2.5%. This represents a minus 3.4% swing.

If it shrinks by 0.9%, that equates to approximately \$814 billion².

¹ For the purpose of this report, 'Covid-19' will be used throughout when referring to the virus.

² Based on a global GDP of \$90.5 trillion (<https://www.statista.com/statistics/268750/global-gross-domestic-product-gdp/>)

World Trade Organisation

Global trade is set to plummet by between 13% and 32% by the end of 2020.

Nearly all regions will suffer double-digit declines in trade volume, with exports from North America and Asia Pacific hit the hardest.

Trade will fall much more steeply in sectors with complex value and supply chains (export finance included).

Looking at which sectors are most likely to be impacted by Covid-19, a report conducted by McKinsey & Company found that market capitalisation has, and will continue to decline, across more than 30 industry sectors including, air and travel; oil and gas; the banking and insurance sectors; transport and infrastructure; petrochemicals; healthcare facilities and services; telecommunications, and; power (both conventional and renewable energy) (McKinsey and Company, 2020); all of which are core export finance sectors.

The United Nations (UN) also posit that Covid-19 could cause the equivalent of 195 million job losses, with food and accommodation, retail and wholesale, business services and administration and manufacturing the worst affected industries (UN, 2020b). While a potential recovery is predicted in 2021, a second wave of the virus or a longer than predicted outbreak could lay waste to this rehabilitation.

Aim

There are two primary aims to the Export Finance Industry Report:

1. To present data on the past 12 months of export finance activity, its current state, and what lies ahead for the industry.
2. To present heatmaps that enable the export finance banks, ECAs and law firms to be compared across a range of industry-specific attributes. The data that make up these heatmaps come from the exporter and importer clients of the banks, ECAs and law firms.

In response to the ongoing Covid-19 pandemic, there is an additional secondary aim of this report:

Unfortunately, due to the global reach of export finance activity across all regions and most sectors, the industry is going to be hit hard by Covid-19. Several questions remain, such as which regions and sectors will be hit the hardest? And what will the industry look like in a world post Covid-19?

Understandably, Covid-19 is the single most discussed topic of the moment, but it is important to remember, albeit that it feels like some time ago, that export finance did exist prior to Covid-19, and it will continue to exist after Covid-19. Consequently, this report also delves into the latest trends that continue to dominate the industry, such as the ever-present topic of sustainability and what the exporters and importers think of the banks, ECAs and law firms they readily engage with.

3. To present data collected from an addendum survey that explored the current and future impact of the Covid-19 crisis on the export finance industry.

The data in this report will present the most comprehensive and detailed picture of what the export finance industry looked like *prior* to the Covid-19 crisis, how it is *currently* being affected by the crisis and how the industry has reacted, and what the industry might look like *after* the pandemic.

³ TXF Research is aware that Covid-19 had emerged prior to the 26th January 2020 but at this point, it was limited to parts of China, with few in the export finance industry concerned about its global impact.

Methodology

This report is based on data collected using a mixed methods design that involved a quantitative and a qualitative component. The quantitative data was collected using an online survey platform (SurveyMonkey) while telephone interviews were used to collect the qualitative data.

The survey

The quantitative findings in this report are based on data collected from two surveys:

- **The Export Finance Industry Survey.** This was launched on 26th January 2020, prior the Covid-19 pandemic³, and closed on 2nd April, 2020. To ensure the survey maintained high reliability (specifically, its internal consistency over time and across items⁴), the survey was kept the same throughout the data collection period.

This meant that all respondents had the opportunity to respond to the same questions. This survey covered: **i)** background and demographics; **ii)** a closer look at the export finance activity; **iii)** sustainability; **iv)** what lies ahead for the industry, and; **v)** industry-specific data, including the heatmaps.

- **The Export Finance Industry Survey: a detailed look at the impact of Covid-19.** This addendum survey was launched on 8th April, 2020 and closed on 22nd April 2020. The 21 questions in this survey explored: **i)** the impact of Covid-19 on the current and future state of the industry; **ii)** consequences of Covid-19; **iii)** material adverse change, event of default and force majeure, and; **iv)** its impact on ECA pricing.

For the benefit of the report, the findings for each survey were analysed and integrated to produce one complete data set. No duplicate data from the same institution was included. If we received more than one survey response from the same institution, we took the average across the responses. This approach ensured that every individual institution was weighted the same.

To provide additional context, closed deal data from TXF Data is included.

Telephone interviews

To explain the quantitative trends, in-depth, semi-structured telephone interviews were conducted with 15 respondents to understand *why* and *how* the patterns occurred.

The topic guide for the interview was based on each individual's survey responses to ensure that the conversation remained focussed. Interviews were conducted between January and April 2020, lasted between 15 minutes and 33 minutes, and were audio recorded for accuracy and further analysis. Any qualitative data used throughout this report has been anonymised with all identifying information removed to protect the anonymity of the interviewee.

The TXF view

Throughout the report, TXF provides its interpretation on some of the key findings. These comments are designed to be thought provoking and offer a more holistic view on the implication of the data for the industry. As one of the leading voices in the export finance space, this will give readers greater insight and understanding of the perpetually changing landscape of export finance.

⁴In quantitative research, there are three types of reliability: **i)** consistency over time; **ii)** consistency across items, and; **iii)** consistency across researchers. If the Export Finance Industry Survey had been augmented to include Covid-19 questions, the survey's consistency over time and across items would have been affected. To circumnavigate this issue, the addendum survey was published separately.



Findings

1. Background and demographics
2. An overview of the export finance industry
3. The growth of sustainability
4. The future of the export finance industry
5. A closer look at the industries

Background and demographics

In total, 313 respondents from banks, ECAs, exporters, importers, law firms and private insurers completed the survey (figure 1). Given that the purpose of this report is to explore the export finance approach of each institution at a strategic level, it is encouraging that nearly three-quarters of the respondents were in senior roles (46%) or were operating as a global head or director (26%) (figure 2). On average, export finance teams had 10 full time staff and two additional part time staff members operating in them (figure 3).

Perhaps unsurprisingly, Europe was the most represented region for company headquarters (71%), followed by Asia Pacific (27%) (figure 4). Given the European centric nature of export finance, with many exporters located in western

Europe, combined with Europe housing a large number of countries that have their own ECA, this is understandable.

Encouragingly, this year’s edition has also captured data from more importers compared to the 2019 *Export Finance Industry Report* (2020: 17%; 2019: 12%). Considering that this year’s sample is larger than in 2019 (259 respondents), this equates to a real term increase of 22 importers (2019: 31 importers; 2020: 53 importers). Capturing the views of more importers, who tend to be more difficult to access than banks and exporters, was a conscious effort for this report, as they provide a different perspective which is extremely critical for the export finance industry.

Figure 1: Type of respondent

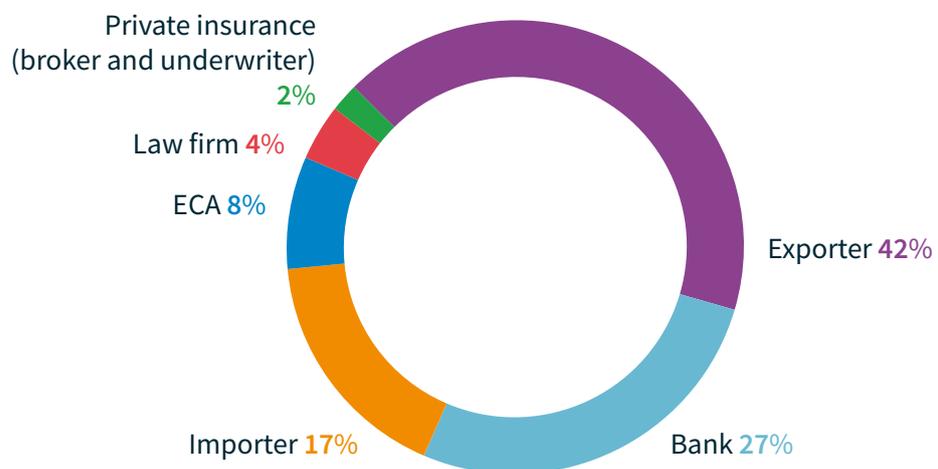


Figure 2: Seniority of the respondents

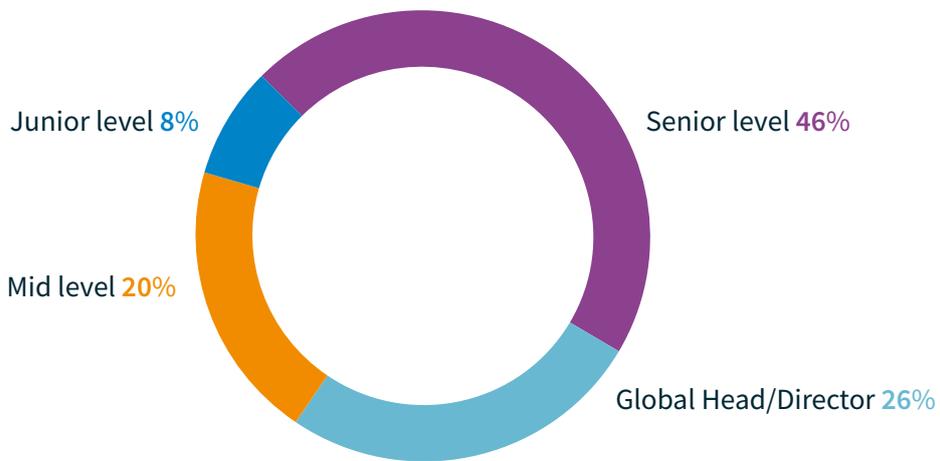
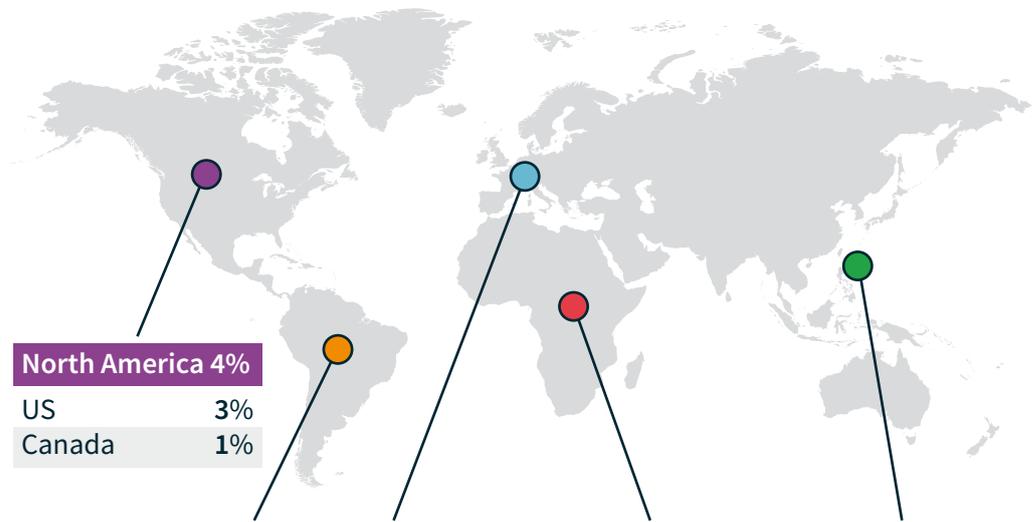


Figure 3: Number of staff in the export finance teams



Figure 4: Country location of the company headquarters



North America 4%	
US	3%
Canada	1%

Central and South America 2%	Europe 71%	Africa 3%	Asia Pacific 27%
Mexico 2%	Germany 13%	South Africa 1%	Indonesia 7%
	France 11%	Nigeria 1%	South Korea 5%
	Spain 9%	Côte d'Ivoire 1%	Singapore 3%
	UK 8%		Japan 3%
	Switzerland 5%		Australia 2%
	Netherlands 4%		Hong Kong 1%
	Italy 4%		India 1%
	Denmark 2%		China 1%
	Austria 2%		Bangladesh 1%
	Turkey 2%		Vietnam 1%
	Belgium 2%		Pakistan 1%
	Finland 2%		Sri Lanka 1%
	Sweden 1%		
	Portugal 1%		
	Estonia 1%		
	Ireland 1%		
	Czech Republic 1%		
	Norway 1%		
	Cyprus 1%		

An overview of the export finance industry

- Outlook
- Regional activity and investment
- Sector activity and investment
- Challenges in the export finance industry



Outlook

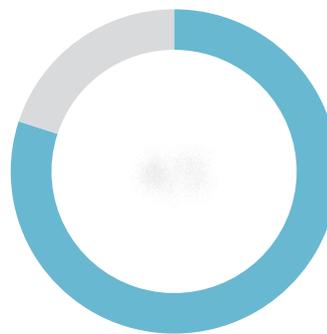
Before the Covid-19 pandemic, the respondents were collectively optimistic about the export finance industry, with an average score of four out of five.

After the pandemic, the respondents' outlook on the industry has shifted significantly, with an average score of three out of five.

Despite the global strength of export finance in its domestic market, many industry experts are expressing concern. However, it is still worth noting that the export finance industry is generally strong in its global markets.

The industry will likely experience a period of recovery in 2021, with a focus on strengthening its global presence. The industry will continue to work on improving its risk management and operational efficiency, and will continue to support the growth of the industry in its global markets.

Figure 5: Outlook on the export finance industry prior to, and after, covid-19



Before covid-19



After covid-19



Figure 6: Is the covid-19 global pandemic more damaging than the 2008 financial crash?



Regional activity and investment

Over the past 12 months, banks in this report have been very active in the Middle East (37%), Europe (32%) and Africa (30%), and not active in North America (31%), Central and South America (27%) (figure 7).

According to respondents, the most active regions for investment were the Middle East (37%), Europe (32%) and Africa (30%). Banks were not active in North America (31%), Central and South America (27%) and Asia (27%).

Respondents also indicated that the most active regions for investment were the Middle East (37%), Europe (32%) and Africa (30%). Banks were not active in North America (31%), Central and South America (27%) and Asia (27%).

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Respondents also indicated that the most active regions for investment were the Middle East (37%), Europe (32%) and Africa (30%). Banks were not active in North America (31%), Central and South America (27%) and Asia (27%).

Figure 7: Regional export activity over the past 12 months, by respondent type

		 Bank	 Exporter and Importer	 ECA
Very active		30%	52%	11%
		28%	62%	9%
		15%	76%	9%
		32%	57%	7%
		37%	49%	10%
		21%	74%	5%
Somewhat active		34%	52%	10%
		37%	49%	10%
		40%	45%	13%
		26%	50%	15%
		27%	57%	12%
		41%	41%	19%
Not active		25%	66%	9%
		15%	65%	10%
		27%	57%	8%
		19%	71%	10%
		21%	68%	7%
		31%	52%	10%

Figure 8: Average total for regional export finance volume over the past 12 months, by respondent type

	Bank 	Exporter and Importer 
Asia	\$217,000,000	\$130,000,000
Europe	\$510,000,000	\$263,000,000
Latin America	\$281,000,000	\$276,000,000
Middle East and North Africa	\$511,000,000	\$280,000,000
Oceania	\$657,000,000	\$113,000,000
USA	\$488,000,000	\$139,000,000

Export finance activity in the region is expected to increase over the next few years... But the same challenges still exist... for example... culturally, the language barrier... and especially financing in Islamic cultures are all key areas that need to be understood.

Exporters and importers are expected to see an increase in activity over the next few years... But the same challenges still exist... for example... culturally, the language barrier... and especially financing in Islamic cultures are all key areas that need to be understood.

“I think MENA [the Middle East and North America] is going to see [export] activity increase over the next few years... But the same challenges still exist... for example... culturally, the language barrier... and especially financing in Islamic cultures are all key areas that need to be understood.”
[Bank; Europe]

Figure 9: Expected regional activity over the next 12 months, by respondent type⁵

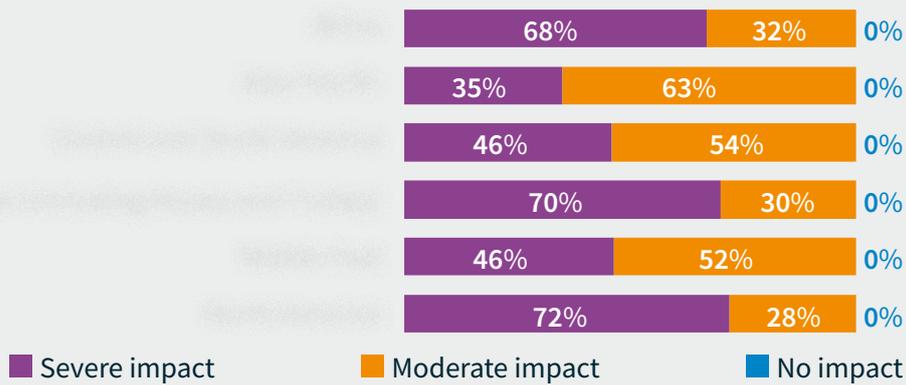
		 Bank	 Exporter and Importer	 ECA
More active		28%	47%	11%
		27%	61%	9%
		30%	55%	9%
		27%	59%	5%
		35%	50%	9%
		35%	65%	0%
About the same		30%	50%	9%
		29%	55%	10%
		28%	62%	7%
		30%	56%	10%
		28%	59%	10%
		32%	56%	8%
Less active		25%	61%	10%
		45%	55%	0%
		27%	53%	20%
		30%	60%	10%
		36%	57%	7%
		13%	56%	31%

⁵Values may not equal 100% as private insurer data has been removed due to small sample sizes.

Figure 10: Average total for regional export finance volume over the next 12 months, by respondent type

	Bank 	Exporter and Importer 
	\$312,000,000	\$164,000,000
	\$488,000,000	\$229,000,000
	\$322,000,000	\$113,000,000
	\$564,000,000	\$288,000,000
	\$652,000,000	\$113,000,000
	\$397,000,000	\$241,000,000

Figure 11: Regional impact of covid-19 over the next 12 months



Sector activity and investment

Over the past 12 months, on average, banks in this report were very active in petrochemicals (52%), telecommunications (50%) and power (46%) (non-renewable), with no activity in defence (34%), metals and mining (25%) and transport (22%).

Over the past 12 months, on average, banks in this report were very active in petrochemicals (52%), telecommunications (50%) and power (46%) (non-renewable), with no activity in defence (34%), metals and mining (25%) and transport (22%).

“The likes of GIEK [Norwegian ECA], SERV [Swiss ECA], EKF [Danish ECA] and EKN [Swedish ECA] are really pushing hard from a policy angle to be known for sustainable and green deals... they are actively moving away from traditional source of power like oil and gas.” [ECA; Europe]

Figure 12: Export finance sector activity over the past 12 months, by respondent type⁶

		 Bank	 Exporter and Importer	 ECA
Very active		30%	50%	20%
		34%	52%	8%
		26%	54%	15%
		13%	69%	13%
		42%	42%	5%
		52%	35%	4%
		46%	32%	14%
		40%	42%	14%
		50%	31%	13%
Somewhat active		31%	55%	10%
		50%	36%	9%
		49%	40%	9%
		56%	38%	6%
		55%	26%	11%
		52%	39%	10%
		56%	37%	7%
		47%	41%	9%
		50%	37%	10%
Not active		68%	13%	19%
		57%	25%	14%
		34%	49%	12%
		7%	71%	21%
		21%	66%	10%
		25%	60%	13%
		17%	57%	23%
		19%	56%	21%
		14%	69%	17%
	18%	68%	12%	
	18%	70%	9%	
	22%	69%	9%	

⁶ Values may not equal 100% as private insurer data has been removed due to small sample sizes.

Looking at bank lending over the past 12 months, banks in this report lent, on average, most in telecommunications (\$529 million), transport (\$389 million)

Figure 13: Average total for regional export finance volume over the past 12 months, by respondent type

	Bank 	Exporter and Importer 
Asia	\$315,000,000	\$50,000,000
Europe	\$375,000,000	\$309,000,000
Latin America	\$153,000,000	\$379,000,000
Middle East	\$125,000,000	\$179,000,000
North America	\$305,000,000	\$240,000,000
Oceania	\$307,000,000	\$225,000,000
South America	\$360,000,000	\$288,000,000
Sub-Saharan Africa	\$296,000,000	\$215,000,000
World	\$529,000,000	\$267,000,000
Transport	\$389,000,000	\$242,000,000

“I think you will see a big push in renewable energy sources over the next few years. Of course, sectors like oil and gas will continue as it is engrained in the economy..., but I think you will see portfolio’s being increasingly filled by renewable [energy] investments... it ties in closely with the general push towards sustainability.” [Exporter; Europe]

Figure 14: Expected sector activity over the next 12 months, by respondent type⁸

		 Bank	Exporter  and Importer
More active	Exporters	44%	44%
	Importers	36%	55%
	Exporters and Importers	28%	61%
	Exporters and Importers	54%	46%
	Exporters	30%	57%
	Exporters and Importers	50%	50%
	Exporters	48%	43%
	Exporters and Importers	46%	40%
	Exporters and Importers	74%	16%
About the same	Exporters	42%	45%
	Exporters	37%	48%
	Exporters	38%	48%
	Exporters and Importers	37%	48%
	Exporters and Importers	34%	48%
	Exporters and Importers	42%	42%
	Exporters and Importers	37%	46%
	Exporters	35%	48%
	Exporters and Importers	26%	57%
Less active	Exporters and Importers	33%	51%
	Exporters and Importers	30%	55%
	Exporters and Importers	56%	44%
	Exporters and Importers	20%	80%
	Exporters and Importers	33%	67%
	Exporters and Importers	38%	54%
	Exporters and Importers	35%	55%
	Exporters and Importers	38%	54%
	Exporters and Importers	25%	50%
Exporters and Importers	0%	100%	
Exporters and Importers	20%	80%	
Exporters and Importers	57%	43%	

⁸ Values may not equal 100% as private insurer data has been removed due to small sample sizes.

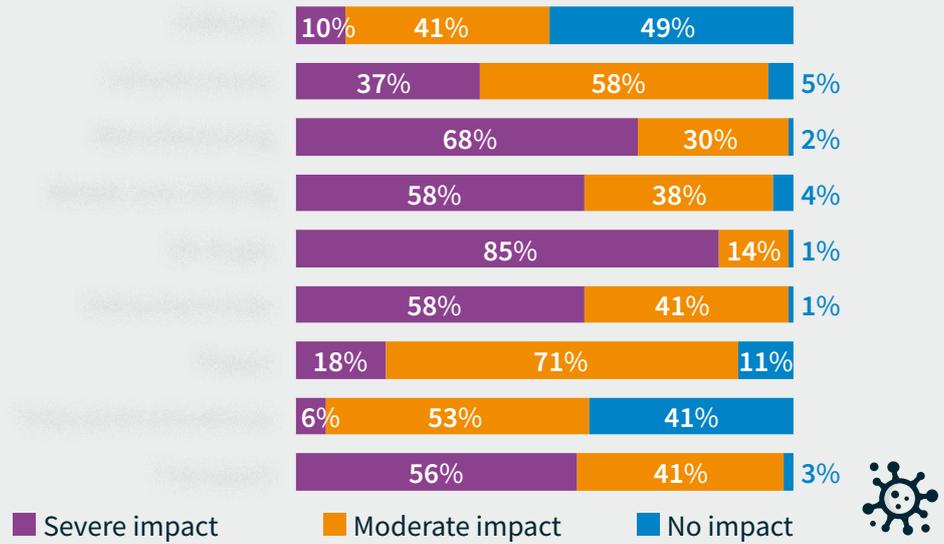
Figure 15: Average total for regional export finance volume over the next 12 months, by respondent type

	Bank 	Exporter and Importer 
	\$270,000,000	\$50,000,000
	\$358,000,000	\$178,000,000
	\$215,000,000	\$275,000,000
	\$140,000,000	\$100,000,000
	\$371,000,000	\$81,000,000
	\$233,000,000	\$50,000,000
	\$512,000,000	\$75,000,000
	\$495,000,000	\$304,000,000
	\$620,000,000	\$462,000,000
	\$535,000,000	\$166,000,000

When the respondents who took part in the addendum Covid-19 survey were asked about its impact on the different sectors over the next 12 months,



Figure 16: Impact of covid-19 on the different sectors over the next 12 months



Challenges in the export finance industry

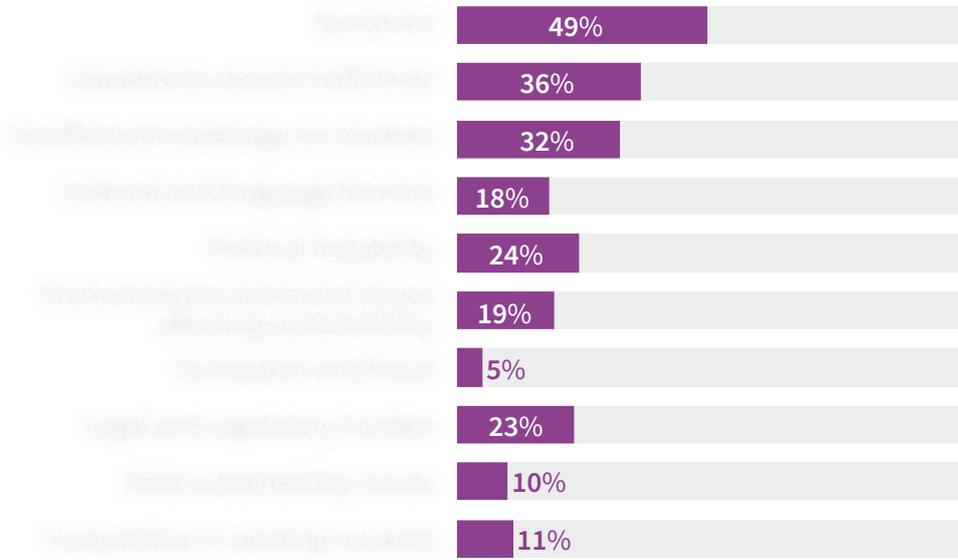
Nearly half of the total sample cited sanctions as the greatest challenge to closing export finance deals (figure 17). One lawyer explained why sanctions continue to frustrate the industry:

Interviewer: *Do you think you'll be doing more work on sanctions over the next 12 to 24 months?*

Lawyer: *Whether it is more, or just chugging along the same high volume, it's a tough call. There is so much to know and the work differs from client to client, so it is very time intensive."*

In a world where geopolitical tensions are rising in key regions (for example, the Middle East and South America), the ongoing US-China trade war (which is only not being discussed because of the worst global pandemic for a generation), and a US president who is vociferously using sanctions to punish corruption and human rights abuses (The Economist, 2019), it is unsurprising that sanctions continue to plague the export finance industry.

Figure 17: Greatest challenges to closing export finance deals





The growth of sustainability

- The ESG focus in export finance
- Hydrocarbons still have a pivotal role to play
- A growing influence on decision making
- Challenges still remain

The ESG focus in export finance

Unsurprisingly, 99% of the sample stated that sustainability is either very important (80%) or somewhat important (19%) (figure 18), with the majority of the sample (81%) concerned with how their export activity impacts both the physical environment and the societies within which they operate (figure 19).

“When it comes to project financing, banks have two options: to fund it or not. If they choose to fund a project, and the client wants to focus on ESG, the bank has very little choice, even if that means they don’t see as high a return... this is becoming even more apparent as ESG-linked facilities are gaining a footing in portfolios... For me, ESG-linked facilities are the future of export finance.” [Bank; Europe]

Figure 18: Importance of sustainability to current operational functioning

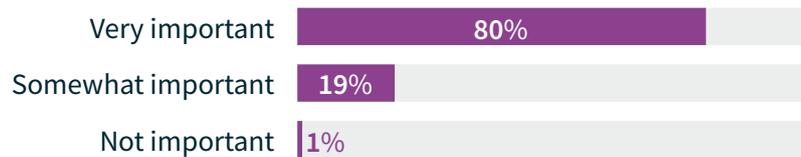


Figure 19: Most important sustainability concerns for the respondents' export-related activities



Figure 20: Willingness to accept lower economic returns to ensure ESG goals are met



Hydrocarbons still have a pivotal role to play

Figure 21 shows which sectors the respondents are reconsidering their involvement in and which sectors the respondents will no longer operate in.

Figure 21 shows which sectors the respondents are reconsidering their involvement in and which sectors the respondents will no longer operate in. The chart displays the percentage of respondents who are reconsidering their involvement in various sectors and the percentage who will no longer operate in those sectors. The sectors include Hydrocarbons, Manufacturing, Services, and others. The data indicates that hydrocarbons remain a key sector for many respondents, while others are looking to diversify or exit certain areas.

The chart displays the percentage of respondents who are reconsidering their involvement in various sectors and the percentage who will no longer operate in those sectors. The sectors include Hydrocarbons, Manufacturing, Services, and others. The data indicates that hydrocarbons remain a key sector for many respondents, while others are looking to diversify or exit certain areas. This reflects the industry's ongoing transition and the need for export finance providers to adapt to changing market conditions and ESG requirements.

Figure 21: The sectors that respondents are reconsidering, or will no longer, operate in

		Total	Bank 	Exporter and Importer 	ECA 
Reconsidering		83%	18%	66%	9%
		30%	19%	61%	10%
		31%	30%	50%	10%
		32%	30%	52%	17%
		88%	21%	65%	10%
		75%	22%	61%	12%
		72%	33%	51%	9%
		29%	45%	50%	-
		76%	34%	54%	6%
		68%	34%	50%	5%
		86%	22%	63%	10%
		65%	26%	55%	10%
	75%	21%	63%	9%	
We will no longer work in this sector		17%	11%	89%	0%
		70%	43%	41%	12%
		69%	37%	48%	11%
		68%	30%	60%	2%
		12%	-	86%	0%
		25%	14%	79%	0%
		28%	18%	76%	6%
		71%	28%	60%	8%
		24%	6%	75%	19%
		32%	11%	78%	11%
		14%	0%	88%	13%
		35%	6%	94%	0%
	35%	14%	86%	0%	

A growing influence on decision making

Across the industry, 71% consider ESG responsibility, at the very least, as a growing consideration for banks, corporates, investors, law firms and other stakeholders. The same view is held on increasing influence on decision making. Figure 22: Influence of sustainability on decision making, by respondent type.

The research clearly highlights that ESG responsibility is a growing consideration for banks, corporates, investors, law firms and other stakeholders. The same view is held on increasing influence on decision making. Figure 22: Influence of sustainability on decision making, by respondent type.

Figure 22: Influence of sustainability on decision making, by respondent type

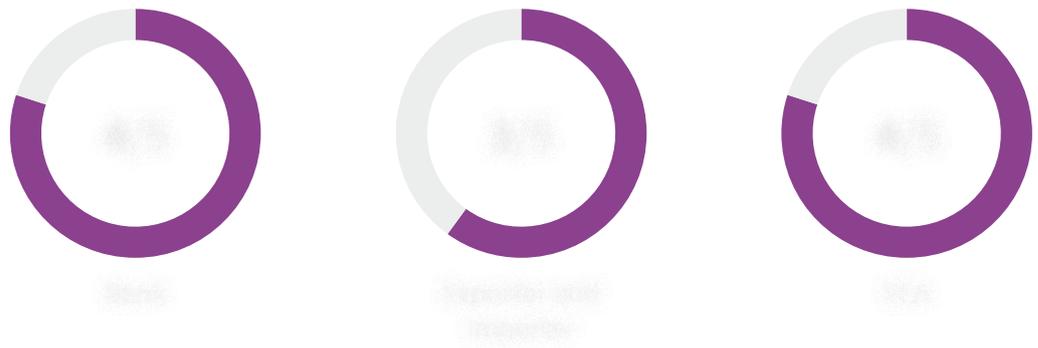
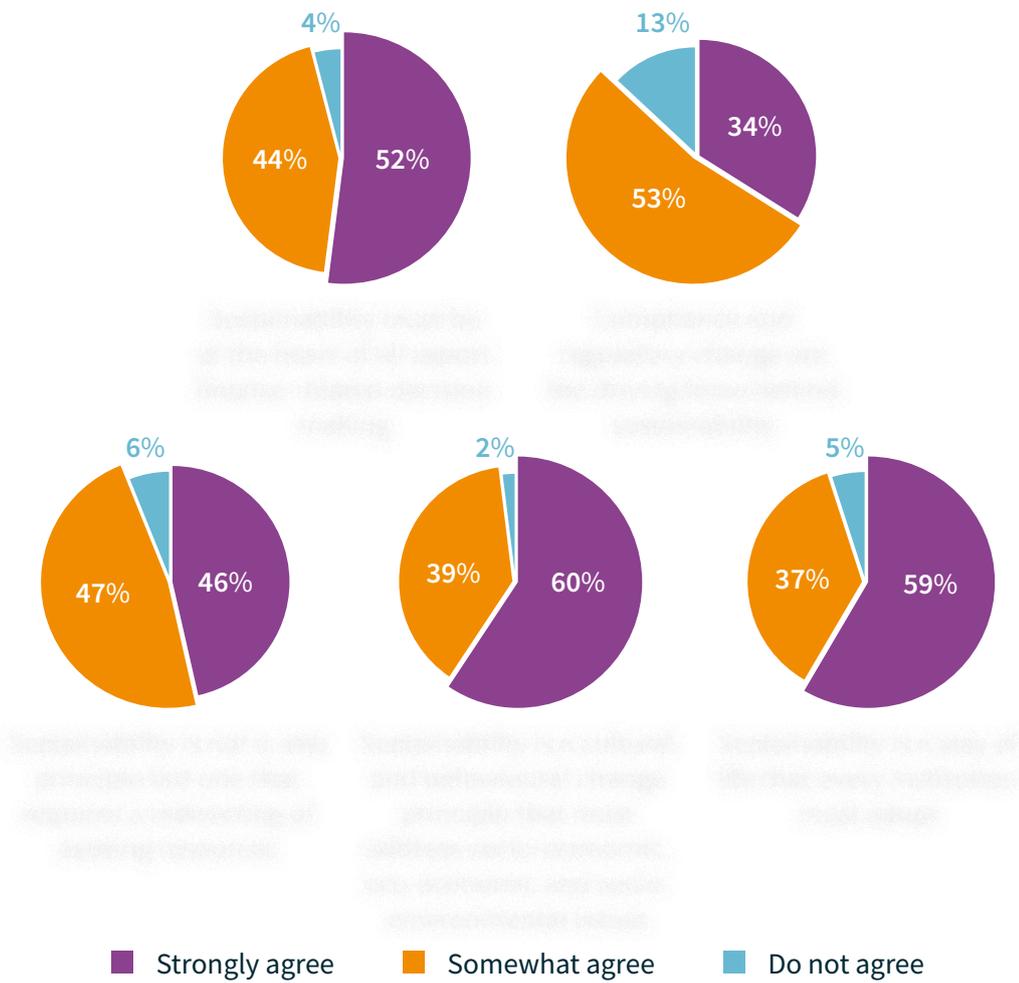


Figure 23: Views on sustainability



Encouragingly, these views on sustainability are being translated into practice too.

Export Finance has been a leader in sustainability for many years. The industry has been a pioneer in sustainability, and Export Finance has been a leader in sustainability for many years. The industry has been a pioneer in sustainability, and Export Finance has been a leader in sustainability for many years. The industry has been a pioneer in sustainability, and Export Finance has been a leader in sustainability for many years.

Export Finance has been a leader in sustainability for many years. The industry has been a pioneer in sustainability, and Export Finance has been a leader in sustainability for many years. The industry has been a pioneer in sustainability, and Export Finance has been a leader in sustainability for many years. The industry has been a pioneer in sustainability, and Export Finance has been a leader in sustainability for many years.

Figure 24: Current sustainable practices



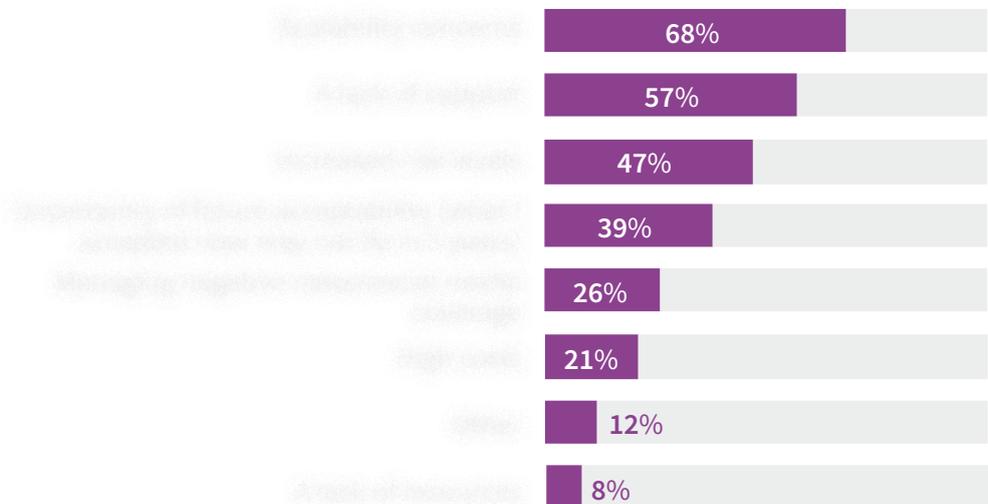
Challenges still remain

This report paints a positive picture for the growing relationship between sustainability and export finance. However, as figure 25 demonstrates, challenges still remain,

... [faded text] ...

... [faded text] ...

Figure 25: Greatest challenges to operating sustainably



Consequences of Covid-19 and understanding MAC and EOD

- A closer look at ECA-backed debt
- MAC and EOD: Implications for importers and exporters



SORRY
WE ARE
CLOSED

COVID-19

A closer look at ECA-backed debt

This section is based solely on data collected from respondents who took the addendum Covid-19 survey. A total of 87 respondents from banks, ECAs, exporters, importers, law firms and private insurance took part.

Nearly two-thirds of the exporters and importers noted that the banks they

engage with are operating as normal (figure 26). Encouragingly, more than three-quarters of the exporters and importers also cited that they are receiving suitable communication from the banks, ECAs and law firms they are engaged with (figure 27).

Figure 26: Banks' current operational ability

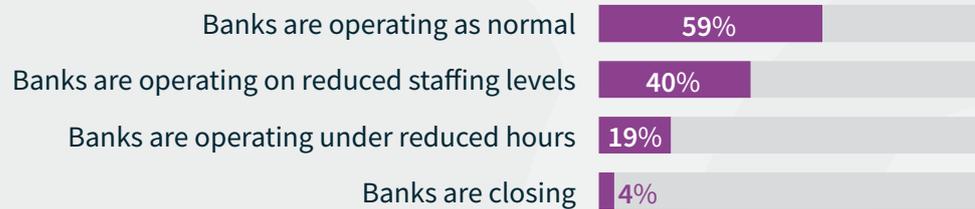
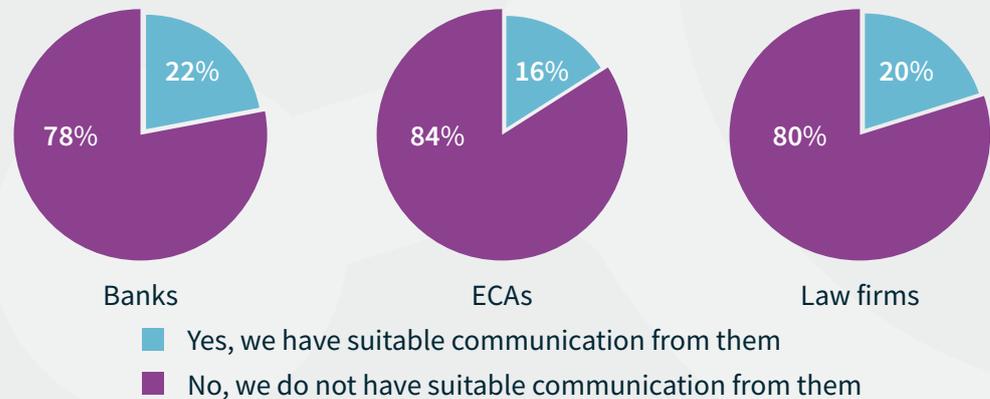


Figure 27: Exporter and importers perception on appropriate communication from the banks, ECAs and law firms



Looking into the impact of the Covid-19 crisis on ECA debt,

Figure 28: Will covid-19 increase the cost of ECA-backed debt?

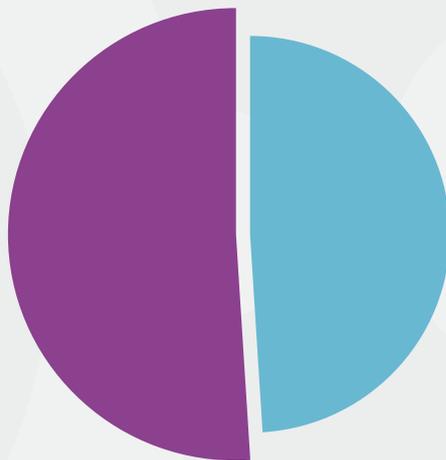


Figure 29: Reasons for an increase in the cost of ECA-backed debt

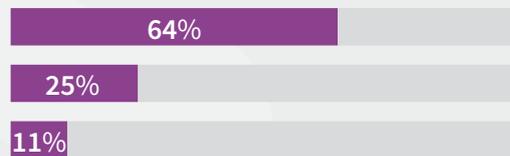
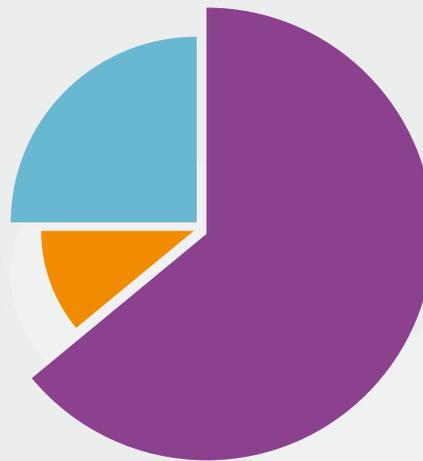
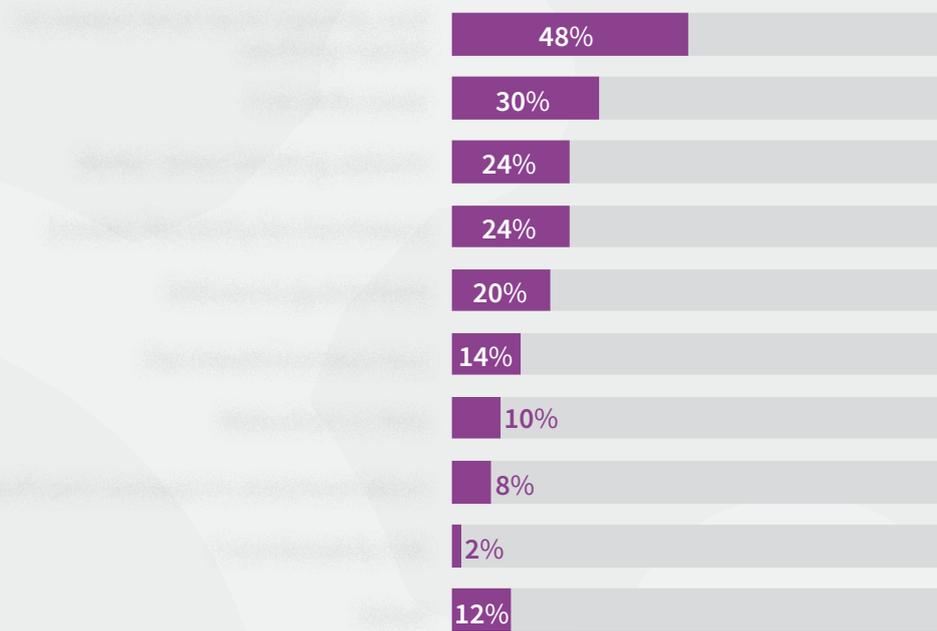


Figure 30: *Reasons for a decrease in the cost of ECA-backed debt*



Regardless of whether or not ECA-backed debt will increase or decrease in price,

Figure 31: Exporter and importers perception on the most beneficial forms of ECA support



MAC and EOD: Implications for exporters and importers

Material adverse change (MAC) and event of default (EOD) are basic provisions in lending facility agreements. A MAC clause is defined as:

“A “catch all” provision that aims to allow the lender to call a default if there is an adverse change in the borrower’s position or circumstances (for example, a large negative variation shown in the successive financial statements of the borrower).”

[Thomson Reuters, 2020a]

An EOD is defined as:

“An event specific in a commercial agreement where a non-defaulting party can terminate an agreement. Events of default are common in loan agreements or debt instruments, the happening of which entitles the lender to cancel the facility and/or declare all amounts owing by the borrower to be immediately due and payable on demand.”

[Thomson Reuters, 2020b]

Consequently, material adverse change in circumstances preface an EOD clause being invoked and/or an ability to prevent further drawdowns from the facility. It gives the lender or creditor the legal power to demand immediate and full repayment of a debt or obligation if they are concerned that their client may default on payment (Thomson Reuters, 2020a; 2020b).

MAC and EOD clauses are often tailored to support the needs of the borrower and it is vitally important that borrowers understand the exact terms and conditions of the MAC and EOD clauses in case of an unexpected event. Needless to say, Covid-19 is an unexpected event and it will bring MAC and EOD clauses to the centre of every borrower’s attention.

From the perspective of the exporters and importers, these findings are concerning for several reasons. First, adverse changes are material only to the extent they ‘substantially threaten’ the borrower’s agreement ‘in a durationally-significant manner’. Consequently, short term losses,

for example, experienced by borrowers in the context of Covid-19, may not constitute an enforceable MAC. The terms of MAC clauses differ from loan to loan, meaning that there may be certain deals where less, or no protection is provided for material adverse changes (Walsh & Suzuki, 2020). Finally, according to the law firm Bryan, Cave, Leighton & Paisner, other than the 9/11 tragedy, there is no precedent for global pandemic MAC clauses (Walsh & Suzuki, 2020).

Given the incredibly fact-specific language that accompanies MAC clauses, it is vitally important that borrowers familiarise themselves with their lending facility agreements.

Figure 32: Do your lending facility agreements have a material adverse change (MAC) and/or an event of default (EOD) clause inbuilt?

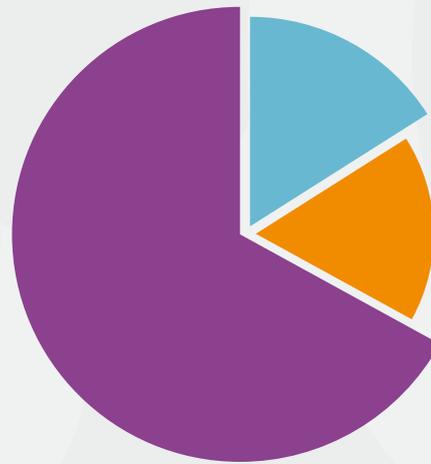


Figure 33: *If yes, do the MAC and EOC clauses cover a global pandemic such as covid-19?*

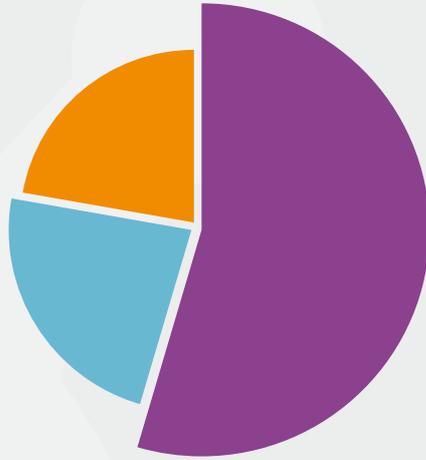
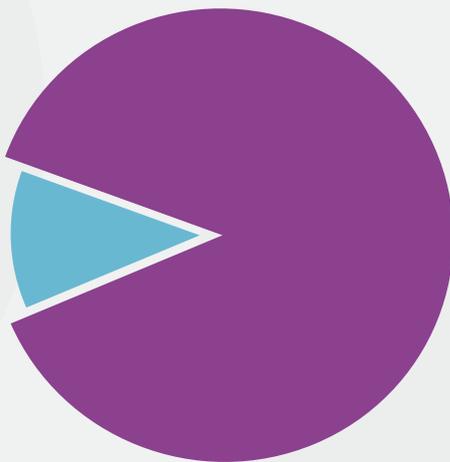


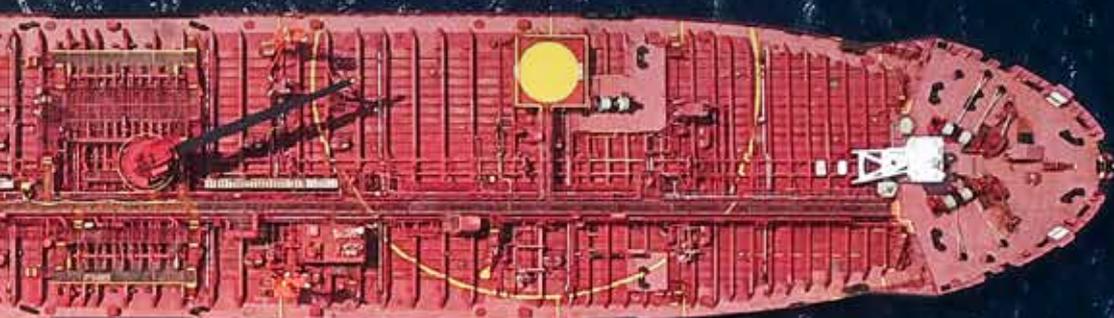
Figure 34: *If yes, have you invoked the MAC/EOD clauses?*





The future of the export finance industry

- A cautious optimism



A cautious optimism

Before Covid-19, the respondents were moderately optimistic about the future of the export finance industry, rating it three out of five. Perhaps surprisingly, this outlook did not change amongst the respondents who took part in the addendum Covid-19 survey (figure 35).

The reason for this, one fairly buoyant exporter explained, is because they believe it will only have a short-term impact:

“It [Covid-19] will be a short-term impact but we [the export finance industry] will recover. The industry has gone through many black swan events and has always re-emerged.” [Exporter; Europe]

Figure 35: Optimism about the future of the export finance industry before and after, Covid-19

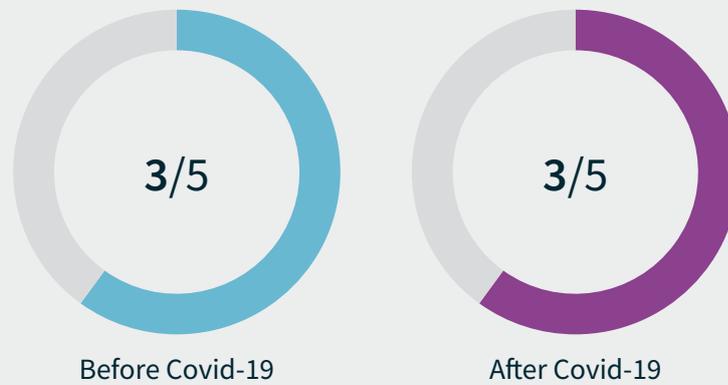


Figure 36: *Has Covid-19 caused you to reassess your strategic and operational priorities going forward?*

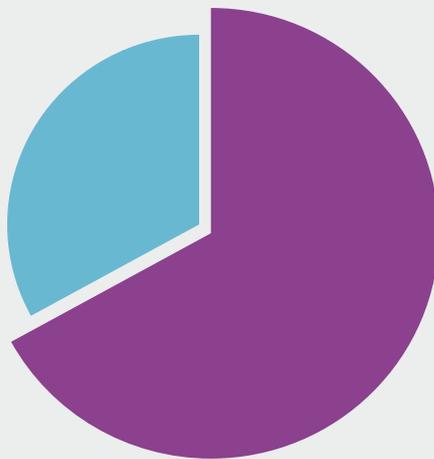
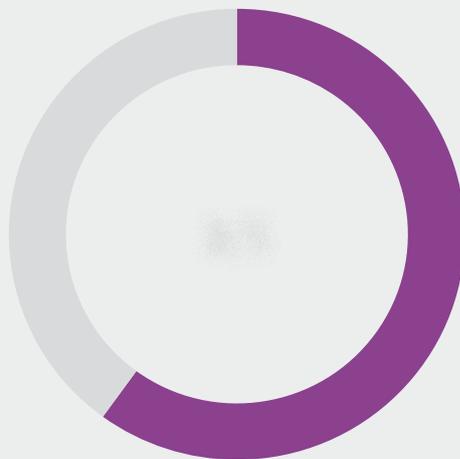


Figure 37: *Likelihood of future investment in health-related projects*



Given the current circumstances, it would be easy to forget that there are a number of other potential challenges to the export finance industry that predate Covid-19.

Over the last 12 months, the industry has seen a number of challenges that have impacted its performance. These include the impact of the global economic downturn, the impact of the UK's exit from the EU, and the impact of the global pandemic.

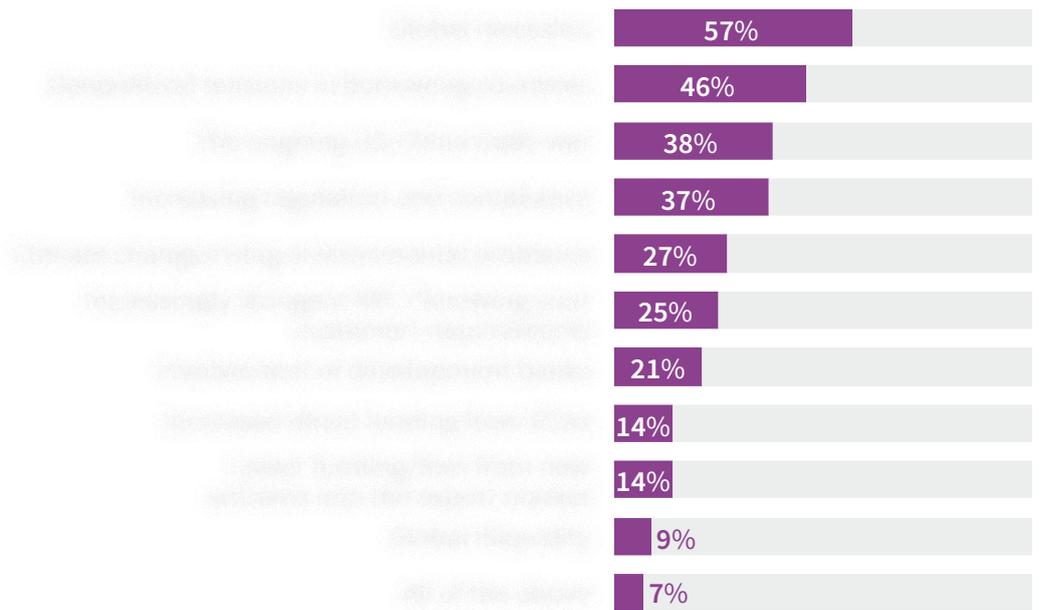
The industry has also seen a number of challenges that have impacted its performance. These include the impact of the global economic downturn, the impact of the UK's exit from the EU, and the impact of the global pandemic. The industry has also seen a number of challenges that have impacted its performance. These include the impact of the global economic downturn, the impact of the UK's exit from the EU, and the impact of the global pandemic.

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Figure 38: Greatest concern to the export finance industry



A closer look at the industries

- The banking industry
 - Rating the banks
- The export credit agency industry
 - Rating the ECAs
- The law firm industry
 - Rating the law firms



The banking industry

This section is made up of two parts. The first part is designed to explore the export finance banking sector more thoroughly. To do this, we asked a series of questions to respondents who identified themselves as working in an export finance banking team. In total, staff from 44 different banks took part in the survey⁹.

The second section draws on exporter and importer data only, in order to explore what they think of the banks they do business with. The banks were rated across a number of different criteria with a final heatmap produced to show how they rank against one another. In total, 133 exporters and importers rated the banks¹⁰.

The average number of export finance deals expected to close in 2020 is 1.5. The average value of the deals expected to close in 2020 is \$1.5 million. The average number of export finance deals expected to close in 2020 is 1.5. The average value of the deals expected to close in 2020 is \$1.5 million.

Figure 39: Average number of deals and the average value of the deals expected to close in 2020



On average, the banks feel that the new Basel IV regulatory changes that will be introduced in January 2022 (2027 for the output floor) will be a challenging hurdle to overcome (figure 40). In sum, Basel IV will see:

- i. A revised credit risk standardised floor so the capital requirement must be at least 72.5%.
- ii. Higher leverage ratio for Global Systemically Important Banks (G-SIBs) with the increase equal to 50% of the risk adjusted capital ratio
- iii. Removal of the internal ratings based (IRB) approach for low default portfolios.
- iv. An IRB floor for risk weighted assets

(RWA) of 75%

- v. Revised operational risk (for example, the implementation of the standardised measurement approach (SMA) for all banks)
- vi. Implementation of the 9th edition of the International Financial Report Standards (IFRS) (McKinsey & Company, 2017).

While challenging, one banker explained that the industry is used to the continually changing regulatory landscape:

“We will adjust – we have no choice. Of course, this always brings turbulence but since the implementation of Basel 3, and

⁹ All of the data in this section are based on the Export Finance Industry Survey (see methodology).

¹⁰ A total of 146 exporters and importers too part. Thirteen chose not to take part in rating the banks.

the CRR [capital requirements regulation] and CRD (capital requirements directive), the [banking] sector is used to it.” [Bank; Europe]

Importantly, new international rules governing banks’ capital requirements and disclosures will be deferred by one year to help lenders respond to Covid-19 (Vincent, 2020).

One area that continues to be particularly challenging for banks, is ‘knowing your client’ and ‘knowing your client’s client’, also known as KYC and KYCC, respectively (figure 41).

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Figure 40: Banks’ perception of how challenging the Basel IV regulations will be to implement

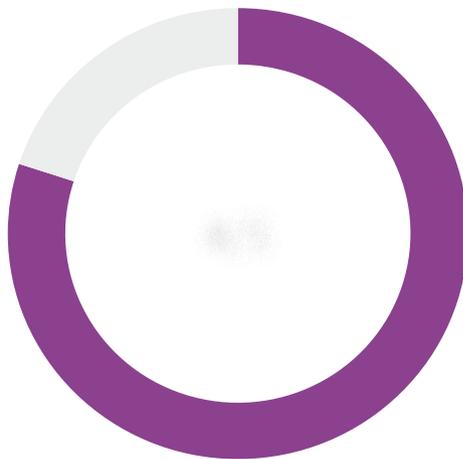
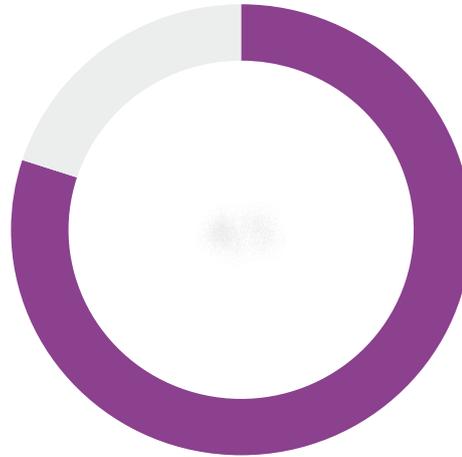


Figure 41: Banks' perception of how challenging KYC and KYCC regulations are to implement



banks' perception of the challenge of the survey. Banks that were more affected by the COVID-19 pandemic were more likely to perceive KYC and KYCC regulations as more challenging. On average, the banks are highly impacted by the COVID-19 pandemic, with the most significant impact being on the revenue side. The survey also found that banks are more likely to perceive KYC and KYCC regulations as more challenging if they are more impacted by the COVID-19 pandemic.

Other findings suggest a growing awareness of support for the COVID-19 pandemic. The survey found that the average number of new sustainability-related deals by banks

decreased by 10% with an average of 10 deals per bank in 2020, down from 11 deals per bank in 2019. The average number of new deals by banks is expected to increase in 2021.

However, sustainability deals are still expected to increase in 2021. The survey found that the average number of new sustainability-related deals by banks is expected to increase by 10% in 2021, up from 11 deals per bank in 2020. This is due to the growing awareness of support for the COVID-19 pandemic and the growing demand for sustainable financing.

¹¹There may be some banks that have deals scheduled but on average across all the banks, no new sustainability deals are expected to close.

Figure 42: Bank financing with sustainability-linked criteria attached

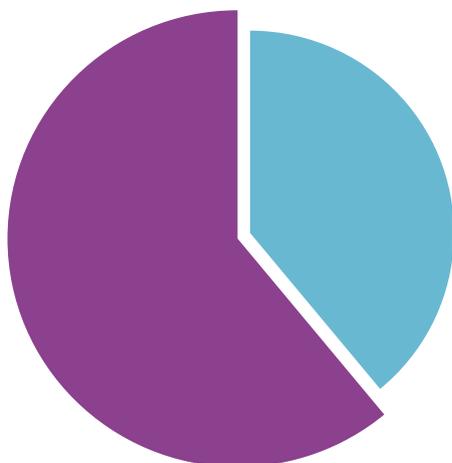


Figure 43: Number of existing bank deals with sustainability-criteria attached



Anticipated number of new sustainable deals by the end of 2021



Figure 44: Banks' plans to get involved in more sustainable deals

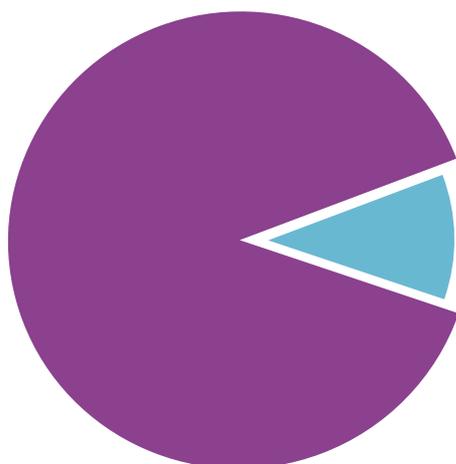


Figure 45: Most used banks by exporters and importers

Bank	Exporters (%)	Importers (%)
Bank of America	18%	15%
Wells Fargo	15%	12%
Citigroup	12%	10%
JP Morgan Chase	10%	8%
Bank of Montreal	8%	7%
TD Bank	7%	6%
Bank of the West	6%	5%
US Bank	5%	4%
Capital One	4%	3%
Bank of New York Mellon	3%	2%
Other	10%	10%

The top three attributes that exporters and importers valued most in banks is product offering (75%)

The 2019s Export Finance Industry Report, this was not the case. For instance, the three attributes that exporters and importers valued most last year were deal execution, risk appetite, and flexibility, which each placed fifth, eighth and joint sixth on the heatmap.

Figure 47 shows that across the attributes, there is not much variation between them

“Do not underestimate good customer service. In times like this [referring to Covid-19], it is so important.” [Exporter; Europe]

...

...

In 2019s Export Finance Industry Report, this was not the case. For instance, the three attributes that exporters and importers valued most last year were deal execution, risk appetite, and flexibility, which each placed fifth, eighth and joint sixth on the heatmap.

Figure 47 shows that across the attributes, there is not much variation between them

...

“Do not underestimate good customer service. In times like this [referring to Covid-19], it is so important.” [Exporter; Europe]

...

...

...the industry's most important banking attributes. ...

The banking industry is expected to ...

Without an understanding of the ...

...the industry's most important banking attributes. ...

Consequently, according to what ...

Figure 46: Exporter and importers perceptions on the most important banking attributes

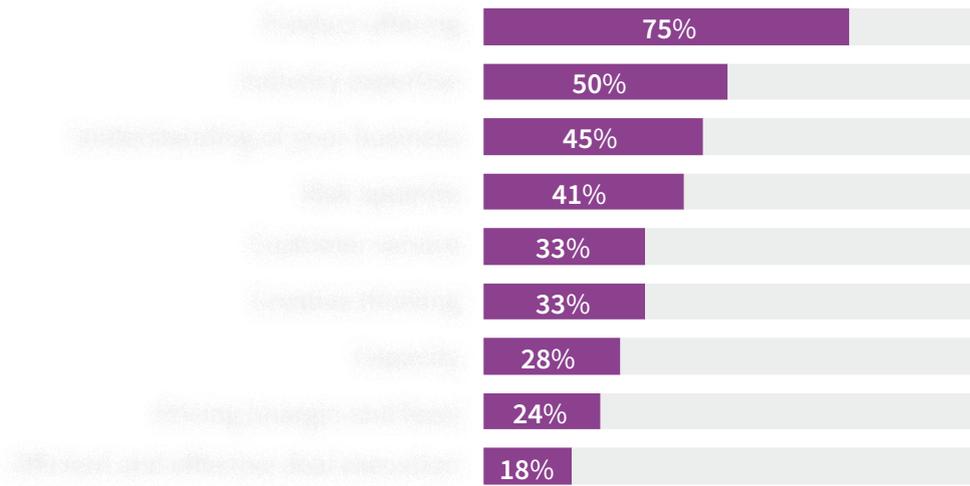


Figure 47: The banking heatmap

	Capacity	Creative thinking	Customer service	Efficient and effective deal execution	Industry expertise	Pricing	Product offering	Risk appetite	Understanding of clients' businesses	Total average	TXF Data league table position ¹²
	4.1	4.0	4.3	4.1	4.2	3.9	3.8	3.8	4.3	4.1	48th
	4.0	3.6	3.9	4.0	4.0	3.6	3.8	3.4	4.1	3.8	3rd
	4.0	3.6	3.8	3.8	4.0	3.8	3.5	3.4	4.1	3.8	8th
	3.8	3.8	3.7	3.7	4.0	3.5	3.7	3.6	3.9	3.7	6th
	3.7	3.5	3.8	3.8	3.9	3.7	3.5	3.5	3.7	3.7	10th
	3.7	3.3	3.7	3.8	3.8	3.6	3.5	3.2	3.8	3.6	13th
	3.8	3.5	3.6	3.6	4.0	3.4	3.4	3.3	3.9	3.6	1st
	3.8	3.3	3.6	3.7	3.8	3.4	3.6	3.1	3.9	3.6	7th
	3.3	3.3	3.7	3.8	3.7	3.3	3.6	3.1	3.9	3.5	31st
	3.6	3.1	3.6	3.8	4.0	3.1	3.6	3.1	3.7	3.5	64th
	3.5	3.5	3.4	3.6	3.8	3.5	3.4	3.0	3.7	3.5	4th
	3.5	3.2	3.5	3.7	3.8	3.5	3.4	3.2	3.7	3.5	5th

¹²As positioned at the end of 2019

	Capacity	Creative thinking	Customer service	Efficient and effective deal execution	Industry expertise	Pricing	Product offering	Risk appetite	Understanding of clients' businesses	Total average	TXF Data league table position ¹²
	3.5	3.2	3.5	3.5	3.7	3.5	3.5	3.1	3.8	3.5	12th
	3.3	3.2	3.5	4.0	3.7	3.4	3.3	3.2	3.8	3.5	54th
	3.5	3.2	3.5	3.6	3.7	3.3	3.5	3.2	3.8	3.5	2nd
	3.2	3.4	3.5	3.8	3.6	3.4	3.3	3.4	3.7	3.5	17th
	3.5	3.4	3.5	3.5	3.6	3.2	3.5	3.0	3.7	3.4	20th
	3.5	3.2	3.5	3.5	3.4	3.3	3.2	3.3	3.7	3.4	29th
	3.5	2.9	3.4	3.3	3.7	2.9	3.8	2.7	3.9	3.3	19th
	3.3	3.1	3.3	3.2	3.5	3.4	3.3	3.2	3.6	3.3	21st
	3.0	2.9	3.3	3.6	3.4	3.3	3.4	2.9	3.4	3.2	41st
	3.0	2.3	2.8	3.0	3.8	3.4	2.6	3.0	3.4	3.0	23rd
	3.0	2.9	3.1	2.8	3.2	3.2	3.1	2.9	2.8	3.0	26th
	2.9	2.6	3.0	2.9	2.9	2.9	2.7	2.8	2.9	2.8	14th
	2.6	2.4	2.6	2.8	2.8	2.6	2.4	2.9	3.0	2.7	9th
Total average	3.5	3.2	3.5	3.5	3.7	3.4	3.4	3.2	3.7	3.5	-
Attribute ranking	= 2nd	= 4th	= 2nd	= 2nd	= 1st	= 3rd	= 3rd	= 4th	= 1st	-	
Difference between highest and lowest	1.5	1.6	1.7	1.3	1.4	1.3	1.4	1.0	1.3	1.4	
Top performing bank											

* made up of multiple banks with a sample of less than 5 respondents each

† sample size between 5 and 10

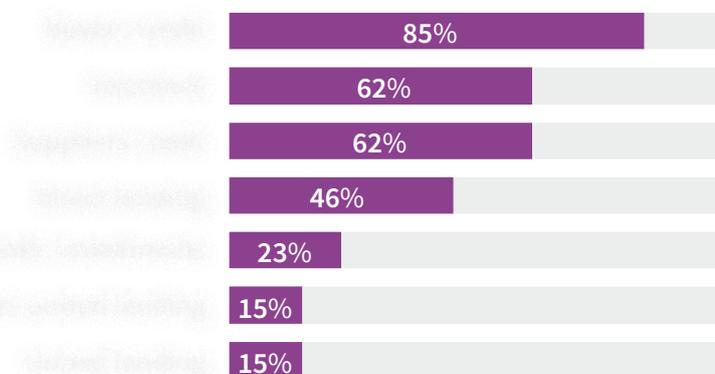
The export credit agency industry

This section is made up of two parts. The first part is designed to explore the ECA sector more thoroughly. To do this, we asked a series of questions to respondents who identified as working in an ECA. In total, 17 ECAs took part in this part of the survey¹³.

The second part of this section draws on exporter and importer data only, in order to explore what they think of the ECAs they readily engage with in export finance activity. The ECAs were rated across a number of different criteria with a final heatmap produced to show how they rank against one another. In total, 106 exporters and importers rated the ECAs.

Figure 48 shows that the most common

Figure 48: ECA products on offer to exporters



¹³ All of the data in this section are based on the Export Finance Industry Survey (see methodology).

Figure 14: Average administrative costs



The information provided in this section of the survey indicates that on average, there were approximately 10 administrative costs identified by respondents. However, the number of administrative costs identified varied significantly between respondents, with some reporting as few as five and others reporting as many as 20. The most common administrative costs identified were:

procurement of equipment or materials; clearing of land; construction of roads; and other infrastructure. Funding for the projects was provided by a combination of grants, either a specific country and/or tied to a specific commodity, or international aid.

Figure 15: Average number of contractors and other stakeholders



Setting the EPCAs

Contractors from 10 different countries were invited to submit their EPCAs. The EPCAs were submitted to the EPCAs Working Group and the EPCAs were reviewed and approved by the EPCAs Working Group. The EPCAs Working Group is a group of experts who are responsible for setting the EPCAs.

The EPCAs Working Group is a group of experts who are responsible for setting the EPCAs. The EPCAs Working Group is a group of experts who are responsible for setting the EPCAs.

Overall, the EPCAs Working Group is a group of experts who are responsible for setting the EPCAs.

Figure 51: Most used ECAs by exporters and importers

Exporter	Percentage	Importer	Percentage
Exporters	47%	Importers	20%
Exporters	20%	Importers	24%
Exporters	22%	Importers	20%
Exporters	20%	Importers	20%
Exporters	13%	Importers	13%
Exporters	14%	Importers	14%
Exporters	13%	Importers	13%
Exporters	12%	Importers	12%
Exporters	8%	Importers	8%
Exporters	3%	Importers	3%
Exporters	8%		

When exporters and importers in this survey were asked about the most valuable ECA attributes,

exporters ranked the most valuable attributes as: "flexibility" (47%), "speed" (20%), "cost" (22%), "expertise" (20%), "relationship" (13%), "local presence" (14%), "global presence" (13%), "risk management" (12%), "customer service" (8%), and "specialized services" (3%). Importers ranked the most valuable attributes as: "flexibility" (20%), "speed" (24%), "cost" (20%), "expertise" (20%), "relationship" (13%), "local presence" (14%), "global presence" (13%), "risk management" (12%), "customer service" (8%), and "specialized services" (3%).

These findings, therefore, suggest a strong focus on flexibility and speed

of ECAs when they think about the most valuable attributes. This was also the case in last year's report where the attributes most valued by importers and exporters were "flexibility" (20%) and "speed" (24%) respectively.

Across the attributes in Figure 51, exporters ranked the top three most valued attributes as: "flexibility" (47%), "speed" (20%), and "cost" (22%). Importers ranked the top three most valued attributes as: "flexibility" (20%), "speed" (24%), and "cost" (20%).

Figure 53: The ECA heatmap

	Creative thinking	Customer service	Deal gestation	Industry expertise	Product offering	Risk appetite	Understanding of clients' businesses	Commercially or politically driven ¹⁵	Total average	TXF Data league table position
	3.7	4.3	4.3	4.3	4.3	4.0	4.3	4.0	4.2	15th
	3.9	4.3	3.6	3.8	4.0	3.9	3.7	4.2	3.9	22nd
	4.1	4.2	3.9	3.7	3.8	3.9	4.0	3.7	3.9	21st
	4.0	3.8	3.9	4.0	3.8	3.9	3.9	3.8	3.9	2nd
	3.8	4.1	3.6	3.7	4.0	3.9	3.9	3.6	3.8	6th
	3.9	4.0	3.8	3.5	3.9	3.8	3.8	3.6	3.8	28th
	3.7	3.7	3.5	3.7	4.1	3.8	3.9	3.6	3.8	8th
	3.7	4.0	3.6	3.7	3.5	3.7	3.9	3.2	3.7	32nd
	3.5	4.0	3.5	3.0	4.0	4.0	3.0	4.0	3.6	36th
	3.5	3.7	3.3	3.9	3.6	3.4	3.7	3.9	3.6	14th
	3.8	3.6	3.8	3.8	3.6	3.3	3.9	3.0	3.6	11th
	3.5	3.7	3.5	3.5	3.7	3.3	3.5	3.5	3.5	19th
	3.7	3.7	3.3	3.4	3.6	3.2	3.5	3.2	3.4	10th
	3.2	3.5	3.1	3.7	3.5	3.3	3.7	3.3	3.4	3rd
	3.5	3.5	3.0	3.9	3.0	3.8	3.5	3.0	3.4	16th
	3.4	3.6	3.0	3.5	3.8	3.4	3.5	2.9	3.4	12th
	3.2	3.5	3.3	3.4	3.5	3.2	3.3	3.6	3.4	20th
	3.0	3.3	3.2	3.5	3.2	3.3	3.5	3.1	3.3	7th
	3.1	3.1	3.3	3.1	3.1	3.3	3.4	2.8	3.1	9th
	3.0	2.8	2.6	3.3	3.2	3.1	3.2	3.3	3.1	1st
	2.9	3.1	2.7	2.8	3.0	2.8	3.0	3.2	2.9	13th
Total average	3.5	3.7	3.4	3.6	3.6	3.6	3.6	3.4	3.6	-
Attribute ranking	3rd	= 1st	= 4th	= 2nd	= 2nd	= 2nd	= 2nd	= 4th	-	
Difference between highest and lowest	1.3	1.5	1.7	1.5	1.3	1.2	1.3	1	1.3	
Top performing ECA										

[†] sample size between 5 and 10

¹⁵ A score lower to one means they are more commercially driven. A score closer to five means they more politically driven.

The legal landscape

This section is made up of two parts. The first part is designed to explore the export finance legal landscape more thoroughly. To do this, we asked a series of questions to respondents who identified as working in an export finance legal team. In total, 18 law firms took part in this part of the survey¹⁶.

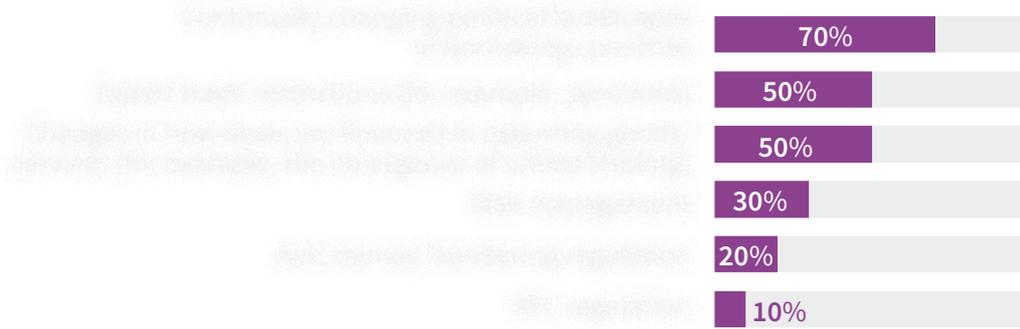
The second part of this chapter draws on exporter and importer data only, in order to explore what they think of the law firms they readily engage with in export finance activity. The law firms were rated across a number of different law firm-specific criteria with a final heatmap produced to show how the law firms rank against one another. In total, 70 exporters and importers rated the law firms.

Interviewer: *Compared to the other types of work that you do, how much work goes on understanding sanctions compared to the other types of what you have to do?*

Lawyer: *It's probably the key element of what we do. And sanctions and trade wars are two sides of the same coin. It might not be a big one in terms of number of words on the page, but it's so important to bank clients in particular. The repercussions of getting it wrong are so big and each deal requires you to almost start again as all companies differ."*

¹⁶ All of the data in this section are based on the Export Finance Industry Survey (see methodology).

Figure 54: *Greatest challenges for law firms in the export finance industry over the next 12-24 months (responses given prior to Covid-19)*



Rating the law firms

Figure 54 shows the most used law firms by exporters and importers in the report. Figure 55 shows the most used law firms by exporters and importers in the report.

Figure 55 shows the most used law firms by exporters and importers in the report. Figure 55 shows the most used law firms by exporters and importers in the report.

Figure 55: Most used law firms by exporters and importers

Law Firm	Exporters (%)	Importers (%)
[Firm Name]	34%	33%
[Firm Name]	23%	27%
[Firm Name]	23%	27%
[Firm Name]	20%	24%
[Firm Name]	12%	12%
[Firm Name]	10%	10%
[Firm Name]	9%	9%
[Firm Name]	9%	14%

Perhaps unsurprisingly, legal expertise was the most valued trait for a law firm to possess (72%) (figure 56).

Exporters management also rated the effectiveness of their attorneys, trade law knowledge, speed of service, and cost of services as key factors in their selection process when choosing a law firm to assist in navigating their needs today for the success of their operations.

Of course, legal expertise was the most valued trait in this report, with exporters and importers scoring legal expertise as the highest attribute, with an overall average score of 72, over the respondents.

Of course, legal expertise was the most valued trait in this report, with exporters and importers scoring legal expertise as the highest attribute, with an overall average score of 72, over the respondents.

Looking at other traits of the top ranked firms, when compared to the ranking and 102 responses, the top firms had the overall highest average score, 20 (overall 100 score) and the smallest overall average difference between the highest and lowest scoring law firms, 20. This data suggests that the top firms are not only more consistently effective in their services but also more consistently effective in their customer service.

Importers also had the highest overall average score, with an overall average score of 72, over the respondents.

Exporters and importers perceive that the most important law firm attributes are:

- 72% - Commercial expertise
- 60% - Understanding of export industry
- 59% - Cost of services
- 45% - Industry expertise
- 37% - Knowledge of export industry
- 37% - Client service
- 29% - Client relationships

The survey results are shown in the bar chart below. The chart shows the percentage of respondents who selected each attribute as the most important.

The chart shows that commercial expertise is the most important attribute for both exporters and importers. This is followed by understanding of the export industry and cost of services.

Industry expertise, knowledge of the export industry, client service, and client relationships are also important attributes for both exporters and importers. The chart shows that the most important attribute for both exporters and importers is commercial expertise, followed by understanding of the export industry and cost of services.

Figure 56: Exporter and importers perceptions on the most important law firm attributes

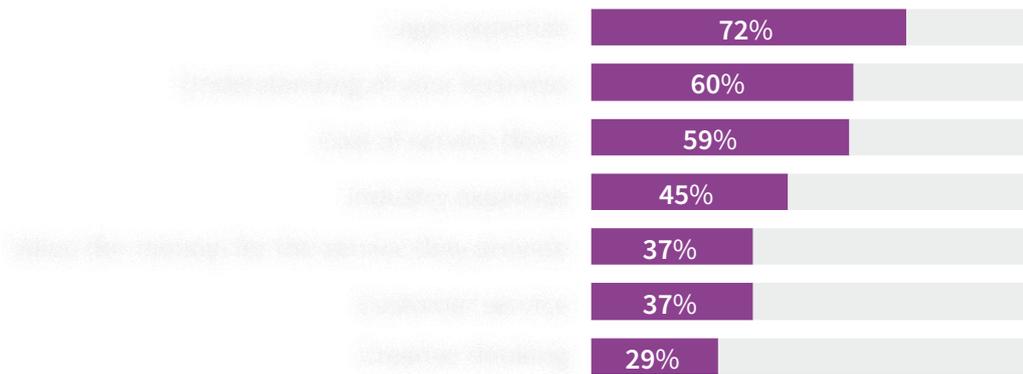


Figure 53: The ECA heatmap

	Creative thinking	Customer service	Deal gestation	Industry expertise	Product offering	Risk appetite	Understanding of clients' businesses	Commercially or politically driven ¹⁵	Total average	TXF Data league table position
	3.7	4.3	4.3	4.3	4.3	4.0	4.3	4.0	4.2	15th
	3.9	4.3	3.6	3.8	4.0	3.9	3.7	4.2	3.9	22nd
	4.1	4.2	3.9	3.7	3.8	3.9	4.0	3.7	3.9	21st
	4.0	3.8	3.9	4.0	3.8	3.9	3.9	3.8	3.9	2nd
	3.8	4.1	3.6	3.7	4.0	3.9	3.9	3.6	3.8	6th
	3.9	4.0	3.8	3.5	3.9	3.8	3.8	3.6	3.8	28th
	3.7	3.7	3.5	3.7	4.1	3.8	3.9	3.6	3.8	8th
	3.7	4.0	3.6	3.7	3.5	3.7	3.9	3.2	3.7	32nd
	3.5	4.0	3.5	3.0	4.0	4.0	3.0	4.0	3.6	36th
	3.5	3.7	3.3	3.9	3.6	3.4	3.7	3.9	3.6	14th
	3.8	3.6	3.8	3.8	3.6	3.3	3.9	3.0	3.6	11th
	3.5	3.7	3.5	3.5	3.7	3.3	3.5	3.5	3.5	19th
	3.7	3.7	3.3	3.4	3.6	3.2	3.5	3.2	3.4	10th
	3.2	3.5	3.1	3.7	3.5	3.3	3.7	3.3	3.4	3rd
	3.5	3.5	3.0	3.9	3.0	3.8	3.5	3.0	3.4	16th
	3.4	3.6	3.0	3.5	3.8	3.4	3.5	2.9	3.4	12th
	3.2	3.5	3.3	3.4	3.5	3.2	3.3	3.6	3.4	20th
	3.0	3.3	3.2	3.5	3.2	3.3	3.5	3.1	3.3	7th
	3.1	3.1	3.3	3.1	3.1	3.3	3.4	2.8	3.1	9th
	3.0	2.8	2.6	3.3	3.2	3.1	3.2	3.3	3.1	1st
	2.9	3.1	2.7	2.8	3.0	2.8	3.0	3.2	2.9	13th
Total average	3.5	3.7	3.4	3.6	3.6	3.6	3.6	3.4	3.6	-
Attribute ranking	3rd	= 1st	= 4th	= 2nd	= 2nd	= 2nd	= 2nd	= 4th	-	
Difference between highest and lowest	1.3	1.5	1.7	1.5	1.3	1.2	1.3	1	1.3	
Top performing ECA										

¹sample size between 5 and 10

Where does the export finance industry go from here?

The three aims of this research were to provide a detailed overview of the state of the export finance industry, to provide ranking heatmaps for the active banks, ECAs and law firms involved in export finance over the past 12 months and to present a detailed look at how Covid-19 has impacted, and will continue to impact the industry. Drawing a combined total over 313 respondents from banks, ECAs, exporters, importers, law firms and private insurers, this report proposes the following take-aways for the industry:

Covid-19 is having a damaging effect on export finance.

It is imperative for exporters and importers to fully understand the MAC and EOD clauses they have in place in their lending facility agreements.

Sustainability is fast becoming a defining principle of the industry.

The impact of Covid-19 on the export finance industry has been significant. Many respondents reported a decrease in new export finance deals and a general sense of uncertainty. The industry is facing challenges such as reduced trade volumes, supply chain disruptions, and increased risk aversion among lenders. However, there is a strong belief that the industry will eventually recover and continue to play a vital role in global trade.

There is a synergy between what the exporters and importers value in their banks, ECAs and law firms, and how these institutions are supporting their clients.

Exporters and importers are looking for partners who can provide comprehensive support throughout the export finance process. This includes not only financial services but also advisory services, risk management, and legal support. Institutions that offer a holistic approach are more likely to be valued by their clients and to build long-term relationships.

In a land of uncertainty, information is king.

As the industry navigates through uncertain times, transparency and timely communication are crucial. Stakeholders need to be kept informed about market conditions, regulatory changes, and the status of their deals. Providing clear and accurate information helps build trust and enables better decision-making across the industry.

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About TXF Research

TXF Research makes up one third of TXF Intelligence along with TXF Data and TXF Essentials. TXF Research supplies the most detailed market insights into the export, commodity and trade finance industries. Using an in-depth and robust methodology that combines quantitative trends with thought provoking qualitative insights, TXF Research provides unique and proprietary data and analysis based on primary sources. In addition, TXF Research offers a bespoke research service to paying clients. Working in collaboration, TXF Research collect, collate, analyse and write reports to the focus and scope of the research, with the final product being a thought leadership piece to be used by the client as they choose.

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