



Australian Government



Finance for
Australian
Exporters

26 February 2015

The Hon Andrew Robb AO, MP
Minister for Trade and Investment
Parliament House
CANBERRA ACT 2600

Dear Minister Robb

STATEMENT OF INTENT

Thank you for your letter dated 13 November 2014 detailing the Government's expectations concerning the operations and performance of the Export Finance and Insurance Corporation (Efic). I am pleased to respond with a Statement of Intent, which outlines how Efic will direct its operations to meet your expectations. I further note that this Statement of Intent replaces the previous Statement of Intent dated 18 August 2011.

Mandate and scope of operations

I acknowledge Efic's obligation to abide by the *Export Finance and Insurance Corporation Act 1991 (Efic Act)*. I also acknowledge that Efic is to provide financial services or products on its Commercial Account (CA) only when there is a 'market gap'. That is, when we are satisfied that private sector providers are unable or unwilling to support financially viable business activities. Efic will continue to monitor the capacity of the commercial markets and take this into account when determining the scope of its activities.

In line with your expectations, Efic is focused on supporting small and medium-sized enterprises (SMEs) seeking to expand their opportunities in overseas markets. Efic will also continue to improve and simplify its services to ensure that SMEs have every opportunity to expand their international business activity by accessing the necessary finance. The proposed amendments to the Efic Act will improve Efic's lending flexibility and will greatly assist in this regard.

Efic support for new large domestic resource projects (and related infrastructure) will cease. However, Efic will continue to provide support for SMEs participating in the supply chain of domestic resource projects (and related infrastructure) where the good or service is deemed integral to the performance of the export project (and related infrastructure).

Efic will continue to provide support for large overseas resource projects where the Board is satisfied that Efic is not crowding out the private sector, the transaction does not come at the expense of SME transactions, and the project has significant Australian content including through SME supply chain participation. We will determine the required level of SME supply chain participation on a case-by-case basis, relative to Efic's overall participation in the project.

Efic will continue to actively encourage private finance providers to finance, or assist in financing, viable export-related transactions. After the provision of three facilities within a three year period, the Board will only approve further facilities to the same company in circumstances where the transaction is to an emerging market or where we have determined that the transaction will not crowd out the private sector. The Board will implement appropriate internal processes to ensure Efic clients face no unnecessary delays from such approvals.

Pricing arrangements

Efic's CA operations will be conducted on a commercial basis. The pricing of Efic's products and services will not undercut the private sector where private sector support is present, nor undercut pricing for comparable risks where private sector support is absent.

The National Interest Account (NIA) will normally be conducted on a similar basis. We also note that risk will not be transferred to the NIA without specific authorisation from you, the Minister.

Subject to the *Export Finance and Insurance Corporation (Direct Lending and Other Measures) Bill 2014* receiving royal assent, Efic's operations will be subject to competitive neutrality policies. We will work with your department to ensure that the appropriate competitive neutrality measures are adopted for the 2015-2016 financial year.

Governance and reporting

The Board and management will manage Efic's financial matters with care and diligence in accordance with the applicable obligations of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* and the *Efic Act*. Moreover, we will strive to maintain a culture of professionalism, continuous improvement and transparency within the organisation.

Efic will continue to draw upon the Australian Prudential Regulation Authority (APRA) in setting an appropriate risk framework in managing financial risk, particularly with regards to capital adequacy, large exposures and concentration risks. We will also provide regular reporting to DFAT, the Treasury and the Department of Finance on Efic's cumulative exposures per industry and per country and the risk borne by the Commonwealth directly through the NIA.

Efic will publish information on all transactions on its on-line register within eight weeks of signature, including the name of the client, the sector, the goods/services involved, the country, the type of facility and the value of the facility. Efic will also annually publish its weighted average pricing and terms of its facilities, on its website and in its Annual Report. It will also send this information to relevant private financiers operating in Australia. This achieves the appropriate balance between demonstrating to relevant financiers that commercial returns are possible in Efic's area of operation, while meeting our confidentiality obligations to our clients.

For repeat facilities (companies with more than three facilities with Efic in a three year period), Efic will report to DFAT the basis for the support. When we approve facilities involving SME suppliers to domestic resource projects (and related infrastructure) or large overseas resource projects, we will also provide your department with an assessment of its compliance with the criteria outlined in your Statement of Expectations and report on it publicly (subject to any client confidentiality considerations).

Efic will continue to publish our Policy and Procedure for environmental and social review of transactions and regularly review the policy to ensure it is consistent with best-practice environmental and social standards, including the IFC Performance Standards, the OECD Guidelines for Multinational Enterprises, the Equator Principles and the OECD Common Approaches. Efic will continue to publicly disclose its prospective involvement in Category A projects.

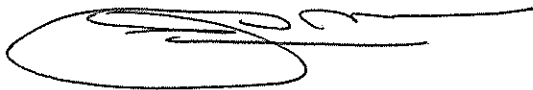
Other matters

Efic will continue to:

- Provide its products and services having regard to the Government's World Trade Organisation (WTO) and other international commitments, including the United Nations Convention Against Corruption;
- Comply with the OECD Arrangement for Officially Supported Export Credits;
- Where appropriate, attend international forums such as the Paris Club, the OECD, the International Working Group on Export Credits and the WTO;
- Provide DFAT and any other relevant agencies with any non-legally privileged information they request to support them in preparing advice on policy related aspects of export credits and Efic's operations;
- Comply with Government and Parliamentary requirements in relation to the provision of information, noting exceptions available under the *Freedom of Information Act 1982* and the possible availability of public interest immunity;
- Inform you and your department of any approaches, whether bilaterally or multilaterally, to restructure or relieve outstanding Development Import Finance Facility loans;
- Comply with Ministerial Directions, including those relating to the Democratic People's Republic of Korea, Iran, Zimbabwe and the exploitation of uranium as well as with Australian laws implementing United Nations Security Council and Australian autonomous sanctions.

Efic has a Service Level Agreement with DFAT regarding the management and administration of the NIA. Efic will also continue to work closely with DFAT, Austrade, Tourism Australia, the Department of Industry and other relevant agencies and departments, to ensure that respective services are delivered efficiently to business. This will involve a coordinated approach at all levels between the organisations.

Yours sincerely,



James M Millar AM
Chairman