

25 October 2017

The Hon Steven Ciobo, MP  
Minister for Trade, Tourism and Investment  
Parliament House  
Canberra ACT 2600

Dear Minister Ciobo

Thank you for your letter dated 7 September 2017 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 26 February 2015.

#### **Mandate and scope of operations**

I acknowledge Efic's obligations 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 finance providers are unable or unwilling to support financially viable business activities. Efic will continue to monitor the capacity of the commercial markets and to take this into account when determining the scope of its activities.

In line with your expectations, Efic will continue to support small and medium- sized enterprises (SMEs) seeking to expand their opportunities in overseas markets. Efic will also focus on continuous improvement to make it easier for SMEs to access its services and improve and simplify its services to ensure SMEs have every opportunity to access markets and expand their businesses overseas.

In accordance with the Efic Act, Efic will support a wider range of SMEs, including tourism operators, online businesses, exporters of intellectual property and other related rights, and businesses engaged in overseas direct investment.

While prioritising Efic support for SMEs facing challenges accessing finance, we note that the Government recognises that large projects or firms can help SMEs access markets through supply-chain participation. However, to achieve a balance in the level of support for large transactions we acknowledge your stipulations around the support Efic can provide to large projects or firms.

As such, Efic will only provide support for domestic or overseas resource projects (and related infrastructure) where the Efic Board is satisfied, after careful review:

- there is a demonstrated market gap in the availability of finance;

- the transaction does not come at the expense of SME transactions;
- the project has significant Australian content including through SME supply chain participation; and
- the project is financially viable.

Efic will not consider proposals to provide finance to an entity for the construction of a project where the entity is also the recipient of funding from the Northern Australia Infrastructure Facility for that project.

Efic will continue to provide support to SME suppliers of domestic resource projects (and related infrastructure) where the SME good or service is integral to the performance of a resource export project (and related infrastructure).

Where Efic approves resource projects (and related infrastructure) transactions, we will provide the Department of Foreign Affairs and Trade (DFAT) with an assessment of the transactions' compliance with the relevant criteria above and report this publicly (subject to any confidentiality considerations).

Efic will maintain its demonstration role to private finance providers. That is, Efic will continue to actively encourage private sector financiers to provide 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 the Board assesses that the transaction will not crowd out the private sector.

Consistent with your expectations and subject to your approval and legislative authority, Efic will make available its specialist financial capabilities to Commonwealth entities and companies. If called on to provide such financial capabilities to Commonwealth entities and companies, Efic will ensure that such activities do not occur at the expense of Efic's primary purpose. We will take steps to minimise the impact of work we perform for the Commonwealth on our capacity to assist exporters. We also note the requirement in the Efic Act to charge appropriate fees for the provision of such services.

### **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 when private sector support is absent. We note that the enhancement of Efic's demonstration role is central to Efic meeting its policy objective of helping commercially viable exporters overcome financial barriers while also encouraging private sector participation.

We confirm that the National Interest Account (NIA) will normally be conducted on a commercial basis. We will also ensure that risk on the CA will not to be transferred to the Commonwealth without specific authorisation from you, the Minister for Trade, Tourism and Investment.

In line with the 2014 changes to the Efic Act, we also note that current competitive neutrality charges continue to apply to Efic.

## **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. We will strive to maintain a culture of professionalism and continuous improvement throughout the organisation.

Efic will continue to draw upon the Australian Prudential Regulation Authority 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 our cumulative exposures per industry and per country and the risk borne by the Commonwealth directly through the NIA.

Efic will continue to publish information on all transactions, through its on-line register, within eight weeks of signature, including the name of the client, the sector, the goods/services involved, the country, and the type and value of the facility. Efic will also annually publish its weighted average pricing and terms of its facilities on its website. 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, in line with your expectations above.

Efic will continue to publish its *Policy and Procedures for environmental and social review* 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 also continue to publicly disclose its prospective involvement in transactions associated with projects that have potentially significant adverse environmental or social impacts (Category A projects).

## **Other matters**

Efic will continue to:

- provide products and services having regard to the Australian Government's World Trade Organization (WTO) and other international commitments, including the United Nations Convention against Corruption;
- comply with the OECD Arrangement for Officially Supported Export Credits;
- where Efic considers it 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 DFAT of any approaches, whether bilaterally or multilaterally, to restructure or relieve outstanding Development Import Finance Facility loans; and
- 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 confirms it has a Service Level Agreement in place with DFAT regarding the management and administration of the NIA. Efic will also continue to work closely with Austrade, Tourism Australia, the Department of Industry, Innovation and Science and DFAT to ensure that respective services are delivered efficiently to Australian businesses. This will involve a coordinated approach at all levels between the organisations.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'James M Millar', with a large, stylized loop at the end.

James M Millar AM  
Chairman