



# Efic

CORPORATE PLAN  
2018–2019



Australian Government

Efic

Finance for  
Australian  
Exporters





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# Introduction

As Chairman of the Export Finance and Insurance Corporation (Efic), and on behalf of the Board as the accountable authority, I am pleased to present our 2018–19 Corporate Plan. The Plan covers the four-year period from 2018–19 to 2021–22, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). It also incorporates the requirements of Section 49 of the *Export Finance and Insurance Corporation Act 1991* (Efic Act).

James M Millar AM  
Chairman, Efic

WE WANT TO BE PART OF  
**AUSTRALIA'S  
EXPORT SUCCESS STORIES.**

The small, medium and large, the innovative  
and the everyday.

Our team works passionately to help Australian businesses  
finance their success. We share their ambitions, their  
hopes and their visions.

Knowing that those who aspire to grow their  
business internationally are taking a huge leap,  
we do our best to support them.

We find answers to problems, rather than reasons  
not to help. And we tailor delivery of our  
finance solutions for each business and their specific deals.

All while providing expert guidance, support and  
connections they cannot find anywhere else.

We are driven by a genuine desire to help Australia's  
best businesses promote Australia's top products and  
services to the world.

**We are Efic.**

And we're ready to provide the finance power  
that Australian exporters need.





# Our purpose

Financing Australian  
businesses to take  
on the world.

## ABOUT US

The Export Finance and Insurance Corporation (Efic) is the Australian Government's export credit agency. We were established under the *Export Finance and Insurance Corporation Act 1991* (Efic Act) and are defined as a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). Efic is part of the Department of Foreign Affairs and Trade portfolio of agencies, and reports to the Minister for Trade, Tourism and Investment (the Minister).

## OUR VISION

To be Australia's most innovative finance partner for international business success.

## WHAT WE DO

We help build Australia's export trade by providing Australian businesses with finance solutions to support their export growth.

We do this by:

- working with banks and other financial institutions to provide financing support to export businesses
- providing export finance solutions when the private market cannot
- collaborating with Government agencies to promote our expertise and finance solutions.

We operate on a commercial basis. Our loans, guarantees, bonds and insurance solutions help Australian businesses:

- secure export-related contracts in new markets
- expand internationally
- win export supply chain contracts
- deliver on large offshore corporate or sovereign projects with significant Australian content.

We provide support to small, medium and large businesses across a range of industries – from manufacturing and defence to fashion and resources. This enables businesses to take on export opportunities that may not have been otherwise possible.

## HOW WE FINANCE CUSTOMERS

We help customers with finance solutions which may involve loans, bonds, guarantees and insurance.

We deliver our support in one of two ways – through our Commercial Account and/or the National Interest Account.

### Commercial Account

Under the Commercial Account, Efic carries all risks as a corporate Commonwealth entity. We retain all margins and fees, and bear all risks and losses.

### National Interest Account

Under the National Interest Account, the Minister can direct Efic to support transactions that are in the national interest.

We can also refer transactions to the Minister for consideration. This might be due to the transaction's size or the tenor of the transaction; or significant exposures to the country of export. The Commonwealth receives all income on National Interest Account transactions. It also bears all risks and losses.





## Our mandate

The Minister provides the Board with guidance through a Statement of Expectations (see Appendix A). Our Board responds with a Statement of Intent (see Appendix B), confirming how we will meet those expectations.



## OUR RELEVANT FUNCTIONS UNDER THE EFIC ACT



Facilitate and encourage Australian export trade by providing insurance and financial services and products to persons involved directly or indirectly in such trade.



Encourage banks and other financial institutions carrying on business in Australia to finance or assist in financing export-related transactions.

### CORPORATE GOVERNANCE

Our Board is responsible for managing the affairs of Efic. This includes determining strategy, defining risk appetite and monitoring performance. We take a strong, commercially disciplined approach to governance and risk management through our Risk Management Framework. Our Board Audit Committee, and external and internal audit functions, also provide valuable oversight.

### NEW POWERS

As a result of changes to the Efic Act and the Minister broadening our powers, we can now offer our financial expertise to other Commonwealth entities and companies. For example, we provide support services to the Northern Australia Infrastructure Facility, including helping states and territories involved with the facility.

We also provide support to the Indigenous Entrepreneurs Capital Scheme and the National Housing Finance and Investment Corporation.

### DEFENCE EXPORT FACILITY

As part of the Government's focus on building Australia's defence export capabilities, we administer the US\$3 billion (A\$3.8 billion) Defence Export Facility. This amount is an upper limit available under the National Interest Account. It is not an amount that has been provided to Efic. As directed by the Minister, this facility provides a way for us to finance defence exports where we may not be able to help under our Commercial Account.



# Operating environment

Five factors influence our operating environment and the demand for our products and services.



Australia's  
export  
outlook

Availability of  
private sector  
finance

Regulatory  
and prudential  
settings

Australian  
Government  
policies and  
directions

Finance  
sector  
disruption



## AUSTRALIA'S EXPORT OUTLOOK

We expect steady export growth between now and 2021–22, as Australia's mining and services sectors expand and the Government focuses its support on emerging smart industries that use digital technology.

Growth in services-related exports will remain robust, with tourism and education expected to outperform. The outlook for Australia's niche and premium food sectors – including beef, veal, wine and cheese – is also strong.

Australia's advanced manufacturing exports should rise over the next year, with a solid global outlook spurring demand for goods used in global supply chains.

Knowledge-intensive industries that innovate and export will provide the biggest opportunities for growth.

The Government's focus on food and agribusiness, health (including medical technologies and pharmaceuticals), advanced manufacturing and cybersecurity actively supports this potential.

These factors should balance out slowing rural exports in the wake of record production levels over the last two years. They should also help rebalance Australia's economy as it moves beyond resources towards services.

There are some risks to Australian exports, including the relaxing of highly supportive monetary policies (that is, low interest rates). This could exacerbate companies' financial vulnerabilities and high debt loads. Geopolitical events could also increase business uncertainty and negatively affect economic activity.

### Australia's export prospects will be supported by:



#### A global economic recovery, led by the emerging nations of Asia

Global economic growth is expected to reach 3.9% in 2018–19.

This is due to helpful financial conditions, improving business and consumer confidence, and developing fiscal policy in the United States.



#### Growing consumption by Asia's middle-class

Between 2015 and 2030, spending by a newly affluent middle-class in the Asia-Pacific region is expected to almost triple to US\$37 trillion.



#### Improved market access

Free trade agreements and the growth of online shopping are improving market access.



# AVAILABILITY OF PRIVATE SECTOR FINANCE



# REGULATORY AND PRUDENTIAL SETTINGS

## THE AVAILABILITY OF PRIVATE SECTOR FINANCE

We play an important role by providing export-related finance to businesses that find it hard to access funding.

Our mandate indicates that we can only provide finance support where the private market is unable to do so. We do not compete with banks or other financial institutions. Therefore, when assessing whether to offer finance to an exporter, we consider the private sector's risk appetite and its willingness to participate.

Of course, broader macro-economic conditions affect credit markets. As a counter-cyclical business, when credit availability is strong, the need for our support may decrease.

Our involvement often acts as a catalyst for the private market to step forward and provide support to businesses. In these cases, we may step away from transactions or reduce our exposures.

If our early involvement means the private sector steps in to meet our customers' needs, then we have been successful. The financial impact achieved by securing private market involvement can be difficult to quantify, but we disclose it when it does occur.

## REGULATORY AND PRUDENTIAL SETTINGS

Australian financial services providers are facing a challenging period. The industry is being intensely scrutinised by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Financial Services Royal Commission).

While Efic is not subject to direct review by the Financial Services Royal Commission, our activities are subject to regular scrutiny by the Government.

The outcomes of the Financial Services Royal Commission present us with both opportunities and threats. They may affect the availability of private sector finance and the need for our services and support.

Banks may need to reassess their risk frameworks and reduce their credit appetite. Greater regulation of the sector could result in banks tightening lending practices and approvals. We may need to become more involved if the private finance market reduces its support for businesses in the export sector.

Alternatively, banks could react by prioritising business lending. This would result in less need for funding.

Tighter regulatory practices may also make medium and long-term lending more challenging for banks.





# FINANCIAL SECTOR DISRUPTION



## AUSTRALIAN GOVERNMENT POLICIES AND DIRECTIONS

Our mandate and functions change over time in response to the Government's trade and industry policy priorities.

Changes were recently made to the Efic Act and the Minister's Statement of Expectations, allowing us to assist other Government entities and lend directly to more exporters, including:

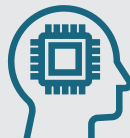
- tourism operators
- online businesses
- exporters of intellectual property and related rights
- businesses engaged in overseas direct investment
- onshore resource projects and related infrastructure.

We will continue to play an important role in contributing to the Government's policy objectives of reducing or removing barriers affecting Australia's export interests.

Creating economic opportunities for Australia is also a priority. We will do this by continuing to offer small and medium-sized enterprises access to finance so they can grow their exports and invest overseas.

## FINANCIAL SECTOR DISRUPTION

The finance industry is experiencing rapid technological change.



Machine learning and artificial intelligence can help automate credit decisions, monitor compliance with complex laws and regulations, detect fraud and better engage customers.



Cryptocurrencies and blockchain technology offer a way to settle transactions without the help of intermediaries such as banks.

The Australian Government broadly acknowledges and supports the need to disrupt the financial services industry in Australia. To ensure we stay relevant to our customers and provide innovative export finance solutions, we need to take advantage of such changes in collaboration with other industry players.



## Strategy

We aim to transform Efic into an organisation that is relevant and impactful for exporters. In doing so, we will need to adapt to the changing needs of the export community and the transforming global financial sector.

Through our strategic priorities over the next four years, we seek to realise our vision to be Australia's most innovative finance partner for international business success.

We have three main priorities.

# 2018

## REFINE OUR BUSINESS MODEL

We will make it easier for Australian exporters to work with us. Our leadership and culture will create an environment where we focus on:

- realising our purpose
- learning and growing
- delivering great customer outcomes.

## EVOLVE OUR BUSINESS MODEL

We will be an integral part of Australia's international trade focus.

Through effective strategic partnerships and collaboration across the export ecosystem, we will seek to support more export customers.

## DISRUPT OUR BUSINESS MODEL

We will position our organisation for the future by:

- understanding the global trade outlook and its impact on our business
- actively engaging with the Government on trade priorities
- working with our stakeholders to set clear expectations about our role
- canvassing the export credit agency landscape
- adopting new technologies to help us better support our customers.

# 2022



## REFINE OUR BUSINESS MODEL

### STRATEGY: Continue to refine our current business model

Activities	Outcomes	Performance criteria	When
Simplify our products and use the EficDirect online platform more effectively	Increased business activity and customer satisfaction	Number of exporters supported (See Table 1 on page 21)	2018–19
Promote our solutions to small, medium and large businesses	Increased awareness of Efic in all export market segments		
Use our new and revised powers	Increased Efic support for a wider range of exporters		

### STRATEGY: Balance our demonstration role with long-term profitability

Activities	Outcomes	Performance criteria	When
Continue to work with banks and other financial institutions to help Australian businesses take on export opportunities	Australian export businesses get the finance support they need to take on export contracts, either through Efic or other financial institutions	Our mandate requirements are met Value of transactions Pre-tax profit results (See Table 1 on page 21)	2018–19

## EVOLVE OUR BUSINESS MODEL

### STRATEGY: Collaborate with the broader export finance ecosystem to deliver our mandate

Activities	Outcomes	Performance criteria	When
Collaborate with other financial services providers and Government agencies	Efic supports a wider range of exporters	Number of exporters supported	Ongoing
Use our new and revised powers			

## EVOLVE OUR BUSINESS MODEL

## STRATEGY: Help the Government meet its broader policy objectives

Activities	Outcomes	Performance criteria	When
<p>Use our expertise to support other Commonwealth entities and companies, where directed by the Minister</p> <p>Actively seek opportunities for exporters to use the Defence Export Facility</p>	Efic supports the Government in delivering key policy objectives	Our mandate requirements are met	Ongoing

## DISRUPT OUR BUSINESS MODEL

## STRATEGY: Enhance our role

Activities	Outcomes	Performance criteria	When
<p>Work with the Department of Foreign Affairs and Trade to develop our role in supporting Australia's export trade landscape</p> <p>Understand the global export credit agency landscape to ensure our offering is relevant to the changing export environment and the needs of Australian exporters</p> <p>Adopt new technologies to help us better support our customers</p>	Efic supports Australia's trade, innovation and industry policies	Our operations align with Government policies and priorities	Ongoing

A large blue corrugated metal pipe runs diagonally across the frame from the bottom left towards the top right. The pipe is situated in a desert environment with reddish-brown soil and sparse vegetation. In the background, there are power lines and a clear blue sky with scattered white clouds. The pipe's surface is highly reflective, showing bright highlights and shadows that emphasize its corrugated texture.

# Capability

We aim to evolve Efic into a more innovative and adaptable organisation.

We will do this by strengthening our leadership and culture, creating an environment where our people are learning and growing, and delivering great customer outcomes.



## OUR PEOPLE

We encourage people in our organisation to think differently, collaborate effectively and actively challenge the status quo.

We want to create a culture that:

- fosters leadership empowerment and accountability
- promotes inclusivity
- values true diversity.

We want our people to be innovative and adaptable.

## OUR PROCESSES

We will embrace innovation in technology, systems and processes to ensure we remain relevant.

We will adopt cloud-based technologies that enable us to quickly introduce new operational and workflow systems, and better serve our customers.

## OUR PARTNERSHIPS

We will continue to partner with and support industry segments that are vital to Australia's future trade success. This means continuing to work with banks and other financial services providers to enhance their product offerings and provide alternatives if they are unable to assist.

We will partner with and tap into the export-related networks of financial institutions, Government agencies, industry groups and other organisations. This will help broaden our reach, build on our capabilities and increase the number of export businesses we support.

# Performance targets





The table below outlines how we expect our Commercial Account to perform over the next four years.

TABLE 1: PERFORMANCE TARGETS

PERFORMANCE CRITERIA	MEASURE	2017-18 (actual)	2018-19	2019-20	2020-21	2021-22
Transactions completed	Dollar value of facilities signed	\$194.2m	\$560m to \$660m	\$560m to \$660m	\$560m to \$660m	\$560m to \$660m
	Dollar value of export contracts supported	\$1.39b	\$1.3b to \$1.6b	\$1.3b to \$1.6b	\$1.3b to \$1.6b	\$1.3b to \$1.6b
Customers supported	Number of customers supported	160	130 to 150	145 to 165	150 to 170	150 to 170
	Percentage of new customers supported	56.9%	50% to 60%	45% to 55%	45% to 50%	45% to 50%
Financials	Commercial Account profit (pre-tax)	\$19.8m	\$21.8m	\$24.5m	\$28.4m	\$31.3m
	Commercial Account profit (post-tax)	\$13.9m	\$15.3m	\$17.1m	\$19.9m	\$21.9m

## PERFORMANCE RISKS

Our ability to achieve the above targets depends on a number of factors, including, but not limited to:

- Availability of commercial market finance for exporters.
- Achieving performance targets in previous years. If our business activity in previous years is significantly different to our targets, it will affect our financial outcomes in later years.
- The amount of additional costs incurred as a result of our mandate. Our role of providing finance when the private market cannot, results in a higher cost-to-income ratio and a lower return on equity than other financial institutions.
- The characteristics of our portfolio. The types of individual counterparty and concentration risks that we take on under our mandate affects the characteristics of our portfolio. Our relatively small capital base means concentrations can be material to individual counterparties, industries and countries. This limits the opportunities we have to diversify risks within the portfolio, as we do not compete with banks and other financial institutions.



# Risk management

Risk management is a vital part of our business. We have developed an enterprise-wide Risk Management Framework that defines our core principles and the types of risks we face. Our Risk Management Framework is available on our [website](#).

Reputation  
risk

Strategic  
risk

Credit  
risk

Country  
risk

Market  
risk

Operational  
and financial  
risk

## RISK MANAGEMENT APPROACH

Our approach to risk management involves ensuring that the level and quality of capital is appropriate for our risk profile. Our Risk Appetite Statement\* details our risk tolerance and sets appropriate limits on the risks we are willing to take.

We also operate based on a Risk Control Matrix.\* This sets out each individual risk we face, as well as mitigation measures and the people responsible for managing certain risks. It also rates the likelihood and consequences of each risk event.

We review the Risk Control Matrix regularly to add new risks or identify changes to existing risks. This approach engenders a culture of risk awareness across our organisation.

## OVERSIGHT OF RISK MANAGEMENT

Our risk appetite incorporates quantitative and qualitative measures to ensure effective monitoring and governance. Risk policies, tolerances and operational limits are set by our Board, the PGPA Act, and the Efic Act and Regulations.

These comprehensive arrangements highlight our commitment to continuously improving our risk management practices. Assessing and underwriting risk is central to our Risk Management Framework. All transactions we underwrite are reviewed by our Board, or by management as delegated by the Board. Country-related economic and political risks are assessed by a team of experts.

## PRUDENTIAL MANAGEMENT

Although we are not directly regulated by the Australian Prudential Regulation Authority (APRA), we are guided by APRA in managing financial risk. Our Board has adopted a best practice approach to prudential standards, based on those set by APRA and the Basel Committee on Banking Supervision.

The key prudential controls relate to capital management, including managing capital adequacy and large exposures. Under the Efic Act, our Board must operate based on sound commercial principles. This includes defining Efic's risk appetite, setting limits and maximum risk tolerances, monitoring performance and making dividend recommendations to the Government.

Our Board's risk appetite limits our exposure to individual counterparties and countries. When we are approaching our limits, we work with reinsurers and other export credit agencies to manage our net risk positions.

\* Due to their commercial sensitivity, these documents are not made public.





**THE HON STEVEN CIOBO MP**  
Minister for Trade, Tourism and Investment

Mr James M. Millar AM  
Chairman  
Export Finance and Insurance Corporation  
Level 10 Export House  
22 Pitt Street  
SYDNEY NSW 2000

Dear Mr ~~Millar~~ 

This letter sets out the Australian Government's revised statement of expectations for the Export Finance and Insurance Corporation (Efic). This statement outlines the Australian Government's key priorities and objectives for Efic, consistent with section 34 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). It replaces the statement of expectations sent to Mr Andrew Mohl on 13 November 2014.

**Mandate and scope of operations**

The Government considers Efic to play an important role in facilitating exports. As outlined in the *Export Finance and Insurance Corporation Act 1991* (the 'Efic Act'), Efic will continue to:

- facilitate and encourage Australian export trade by providing insurance and financial services and products to persons involved directly or indirectly in such trade;
- encourage banks and other financial institutions carrying on business in Australia to finance, or assist in financing, export contracts or eligible export transactions;
- administer payments and related matters under export contracts in respect to overseas aid projects for which money was made available by the Commonwealth; and
- provide information and advice about finance and insurance arrangements to support Australian export trade.

However, Efic must not provide financial services or products on its Commercial Account (CA) unless Efic is satisfied that private sector providers are unable or unwilling to support financially viable business activities. Efic should ensure its activities fill the 'market gap' where private sector finance is not forthcoming. I expect Efic to monitor the capacity of the commercial markets and to take this into account when determining the scope of its activities.

The Government decided in 2014 to place greater emphasis on supporting small and medium-sized enterprises (SMEs) seeking to expand their opportunities in overseas markets. I welcome Efic's focus on continuous improvement to make it easier for SMEs to access its services and I expect Efic to continue to 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, I expect Efic to 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, the Government recognises that large projects or firms can help SMEs access markets through supply-chain participation. To achieve a balance in the level of support for large transactions, I am introducing some stipulations around the support Efic can provide to large projects or firms.

Efic shall 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 shall 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 may 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 transactions involving resource projects (and related infrastructure), I expect Efic to provide the Department of Foreign Affairs and Trade (DFAT) with an assessment of the transactions' compliance with the relevant criteria above and to report this publicly (subject to any confidentiality considerations).

Efic is to maintain its demonstration role to private finance providers. In most circumstances, after one or two transactions with the same company, Efic will have demonstrated to the private sector that commercial returns are possible. I therefore expect Efic to limit the number of CA facilities provided to the same company to three facilities within a three year period. Further facilities with the same firm must be approved by the Efic Board on the basis that the transaction is to an emerging market, or where the Board assesses that the transaction will not crowd out the private sector.

The Government expects Efic, subject to my approval and legislative authority, 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 must ensure that such activities do not occur at the expense of its primary purpose and Efic will take steps to minimise the impact of work it performs for the Commonwealth on its capacity to assist exporters, including by the charging of appropriate fees for such services.

### **Pricing arrangements**

I expect Efic's CA operations to be conducted on a commercial basis. As such, the pricing of Efic's products and services should not undercut the private sector where private sector support is present, nor undercut pricing for comparable risks when private sector support is absent. This 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.

In line with the 2014 changes to the Efic Act, competitive neutrality charges apply to Efic. It is my expectation that the National Interest Account (NIA) should also normally be conducted on a commercial basis. Any risk on the CA is not to be transferred to the Commonwealth without specific authorisation from me, as Minister for Trade, Tourism and Investment.

### **Governance and reporting**

As a corporate Commonwealth entity, as defined in the PGPA Act, Efic is subject to the accountability, management, performance and reporting requirements specified in that Act. I expect Efic's Board and senior management to manage Efic's financial matters with care and diligence in accordance with the applicable obligations of the PGPA Act and the Efic Act. Together you should strive to maintain a culture of professionalism and continuous improvement throughout the organisation.

Efic should continue to maintain systems to manage its risks. While Efic is not an Authorised Deposit-taking Institution, it should continue to be guided by the Australian Prudential Regulation Authority in managing financial risk. Efic will also provide regular reporting to DFAT, the Treasury and the Department of Finance on its cumulative exposures per industry and per country.

Efic should continue to provide regular reports on the risk the Commonwealth is bearing directly through the NIA. Commonwealth exposures will continue to be reported through the statement of risks in the Budget papers.

I expect Efic to publish through its on-line register information on all transactions 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. In addition to the enhanced pricing disclosure arrangements and within appropriate confidentiality and legal parameters, I expect Efic to share the pricing and terms of its transactions with relevant financiers operating in the domestic market. This will help demonstrate that commercial returns are possible and encourage private sector financiers to take on Efic clients.

For repeat transactions (companies with more than three transactions with Efic in a three year period) Efic will report to DFAT the basis for the support, in line with my expectations above.

Efic should 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 should 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

In addition to the requirements above, and your responsibilities under the Efic Act and the PGPA Act to provide me and the Minister for Finance with a range of information and services, Efic is also 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 me 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,

I expect Efic and DFAT to have a Service Level Agreement in place in relation to the management and administration of the NIA.

Efic should work closely with Austrade, Tourism Australia, the Department of Industry, Innovation and Science and DFAT in delivering their services to Australian businesses. This will involve a coordinated approach at all levels between the organisations.

I look forward to receiving a response from you on Efic's plans to meet these expectations. Per usual practice, Efic should make these intentions and expectations publicly available.

Yours sincerely



Steven Ciobo

07 SEP 2017

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 dark ink, appearing to read 'James M Millar', with a large, stylized loop at the end.

James M Millar AM  
Chairman





Data in this report may not sum due to rounding.

Requests for more information and enquiries should be addressed to:

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