## Foreign bribery Submission 17 - Response from Efic





13 Ocotber 2015

Committee Secretary Senate Standing Committees on Economics PO Box 6100 Parliament House Canberra ACT 2600

The Export Finance and Insurance Corporation (**Efic**) contributed to the cross-agency submission from the Attorney-General's Department (**AGD**) into the inquiry into foreign bribery.

The Senate Standing Committee on Economics' (**Committee**) received many submissions, including a joint submission from Publish What You Pay (**PWYP**) and the Uniting Church in Australia Synod of Victoria and Tasmania (**Uniting Church**). This submission makes specific reference to Efic.

Efic thanks the Committee for the opportunity to respond to this submission and provide factual clarification in relation to the issues raised.

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## Submission 17 – Publish What You Pay and the Uniting Church in Australia, Synod of Victoria and Tasmania Submission

Submission 17 specifically references a transaction that Efic previously supported for Tenix Defence Systems (**Tenix**):

'In 2001-02, Tenix had a contract to supply six search-and-rescue vessels for the Philippines coast guard. This deal was made possible due to a \$109 million guarantee from the Export Finance and Insurance Corporation (EFIC) which enabled the Philippines to borrow from banks so as to pay Tenix for the boats. In 2005, senior Filipino politicians protested against repaying the loan as there had never been appropriation for the boats in the national budget. In 2008, the Philippines Parliament declared the deal illegal and passed a bill banning the payment of interest on the loan. This resulted in \$100 million Australian government money unrepaid. Declassified diplomatic cables allegedly revealed that Australian officials in 2001were already aware that the contract was facing financial problems. Furthermore, cables allegedly showed that in 2005, Australian officials were aware that an order by the Philippines for search and rescue vessels from Tenix was made without the required budgetary approvals in Manila.'

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## Efic's Response

In 2001, Efic provided support to Tenix in relation to the supply of search and rescue vessels to the Philippines Government. Efic's facility guaranteed the repayment obligations of the Philippines Government to the lenders, ANZ bank, BNP Paribas and Societe Generale. Approval for the facility was granted in 2000 and Efic documented the signing in its Annual Report in 2002.

Contrary to the claim made in submission 17, that "*this resulted in \$100 million Australian government money unrepaid*", the facility has been completely repaid, with the Government of the Philippines providing the final repayment on time, on 20 September 2014.

The Australian Federal Police (**AFP**) is currently investigating allegations of bribery in relation to these contracts. Efic has fully cooperated with the AFP since becoming aware of the investigation in 2011.