

Amending the EFIC Act

Ensuring transparent and responsible use of taxpayers' money

April 2013

The Export Finance and Insurance Corporation (EFIC) is a Commonwealth government statutory corporation that provides loans, insurance and guarantees to Australian exporters. EFIC uses tax payer money directly through the national interest account and indirectly through the commercial account to provide this support.

Since its inception EFIC has operated in a non-transparent manner without adequate oversight and reporting requirements. Unlike its international peers, EFIC is not subject to FOI legislation and there is insufficient transparency and accountability for taxpayer funded support of high impact and risky projects.

In September 2011 the Productivity Commission embarked upon an inquiry into EFIC. The Commission undertook detailed research and conducted extensive consultation before publishing its recommendations in June 2012.

The Commission's recommendations were designed to "enhance the transparency of EFIC's activities to the Minister, the Australian Government and the public"¹ and reduce "risks faced by EFIC – including reputational risk – (which) are ultimately borne by the Australian Government."² The *Export Finance and Insurance Corporation (New Mandate and Other Measures) Bill 2013* responded to the Productivity Commission report.

The bill in its current form fails to incorporate many of the Commission's key recommendations. Without amendment to the bill EFIC will continue to operate opaquely and without satisfactory accountability to the Australian taxpayers that fund it. The Senate Legislation Committee on Foreign Affairs, Defence and Trade has the opportunity to remedy this situation.

Investigating EFIC

Jubilee Australia is an independently funded non-government organisation committed to addressing the root causes of global poverty. For over six years Jubilee has researched EFIC's policies, practices and the impacts of the projects that it supports. Our 2009 report, *Risky Business: Shining a Spotlight on Australia's Export Credit Agency*³, prompted reforms to EFIC's environmental and social assessment procedures and heralded the Productivity Commission inquiry.

Our work has demonstrated the great power EFIC wields through its capacity to support large-scale projects, especially those in our Asia-Pacific region. EFIC's support for a project can in effect change the economy of an entire country—this is certainly the case for Papua New Guinea where EFIC has a history of supporting problematic projects.⁴ **In this way EFIC decisions can be more important than those of AusAID, and yet they have far less accountability.**

¹ www.pc.gov.au/projects/inquiry/export-credit , p2.

² www.pc.gov.au/projects/inquiry/export-credit . p 290

³ www.jubileeaustralia.org/risky-business-download

⁴ http://www.pc.gov.au/data/assets/pdf_file/0003/113880/sub012.pdf Appendix: EFIC-financed Problem Projects in the Extractive industries, 1980-2010

This fact was demonstrated in our 2012 Jubilee report *Pipe Dreams: The PNG LNG Project and the future hopes of a nation*.⁵ The publication is a careful analysis of the US\$19 billion liquefied natural gas project and its foreseeable impacts. It concluded that EFIC's \$500m involvement would contribute to the likely exacerbation of poverty, increased corruption and lead to more violence in PNG. Since most of EFIC's PNG LNG financing was drawn from the National Interest Account, the decision to finance the project was explicitly endorsed by the Trade Minister and by the full Cabinet.

Amendments to the bill

Jubilee will make a submission to the Senate Committee with the aim of ensuring that the taxpayer funded work of the Productivity Commission and its key recommendations are adequately incorporated into legislation.

Our submission will draw principally on the uncontroversial recommendations made by the Productivity Commission. It will also be supported by our expertise and research, international export credit agency best practice, Australian government best practice and UN reports.

The submission will focus on three practical and effective outcomes:

1. EFIC to be subject to the *Freedom of Information Act 1982* (Cth) or any subsequent equivalent legislation.
2. The establishment of a public and parliamentary review process for significant EFIC facilities, with reporting requirements for demonstrating and maintaining compliance with international environmental and social standards.
3. The establishment of statutory recognition of EFIC's policy for environmental and social review of its transactions.

We invite you to consider this briefing note and Jubilee Australia's submission to the Senate Committee once lodged.

Should you have any questions or require further information at any stage please feel free to contact us:

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⁵ www.jubileeaustralia.org/page/work/pipe-dreams-report