

PRIVATE SECTOR OPERATIONS DEPARTMENT

10 November 2011

**Export Credit Arrangements
Productivity Commission**
LB2 Collins Street East
MELBOURNE VIC 8003

Dear Commissioners:

Re: ADB's Submission for the Commission's Consideration

Further to a call for submissions in connection to the Inquiry into Australia's Export Credit Arrangements we are pleased to submit the following information for the Commission's consideration.

Asian Development Bank's Trade Finance Program (TFP) entered into a trade financing partnership (Risk Distribution Agreement) with EFIC in 2011. This partnership is designed to support Australian exports to developing Asia. Under the Agreement, ADB and EFIC share the risk of non-payment under export contracts involving Australian content. The Agreement's initial focus is on supporting Australian exports to Bangladesh, Pakistan and Sri Lanka. Discussions are now under way to include Viet Nam.

There is a persistent market gap for trade finance in markets such as Bangladesh, Pakistan, Sri Lanka and Viet Nam. Demand for trade finance in these (and other) markets is larger than ADB's capacity. This risk-sharing Agreement with EFIC helps ADB meet the demand.


The Agreement enables EFIC to leverage ADB's established infrastructure -- back-office, administration, marketing, legal documentation, risk monitoring -- and expertise in these demanding markets. Under the agreement, ADB's TFP handles all inquiries, negotiations and transaction processing. ADB manages all reporting, administration and collection of fees. Furthermore, ADB's TFP provides EFIC with valuable due diligence reports and on-going credit assessments of (bank) risks assumed under the agreement. The credit information provided on an on-going basis is valuable not only because it is used to support Australian exports under ADB's TFP -- risk-sharing with EFIC -- but because the information provided to EFIC also enables EFIC to establish new relationships in challenging markets which could lead to other areas of support for Australian interests in developing Asia.

Implementation of the ADB-EFIC Risk Distribution Agreement was swift. The Agreement was signed April 2011 and the first transaction took place the following month, May 2011. In the six months the Agreement was signed, 10 transactions have been conducted. The transactions were mostly agriculture-related, nine of which were to Pakistan; one to Bangladesh.

We highly value our partnership with EFIC and look forward to expanding our cooperation in trade finance and other areas.

Thank you for the opportunity to provide this submission for the Committee's consideration. Please do not hesitate to contact the undersigned if there are any questions.

Yours sincerely,


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Director
Capital Markets & Financial Sectors Division

Steven Beck
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