

GOAL THREE: Provide Financing Support for Qualified Exports for Which Private Market Financing is Not Available

Performance Goal 3.1: Increase FY2000 authorization of Working Capital guarantees to \$1 billion.

Strategies:

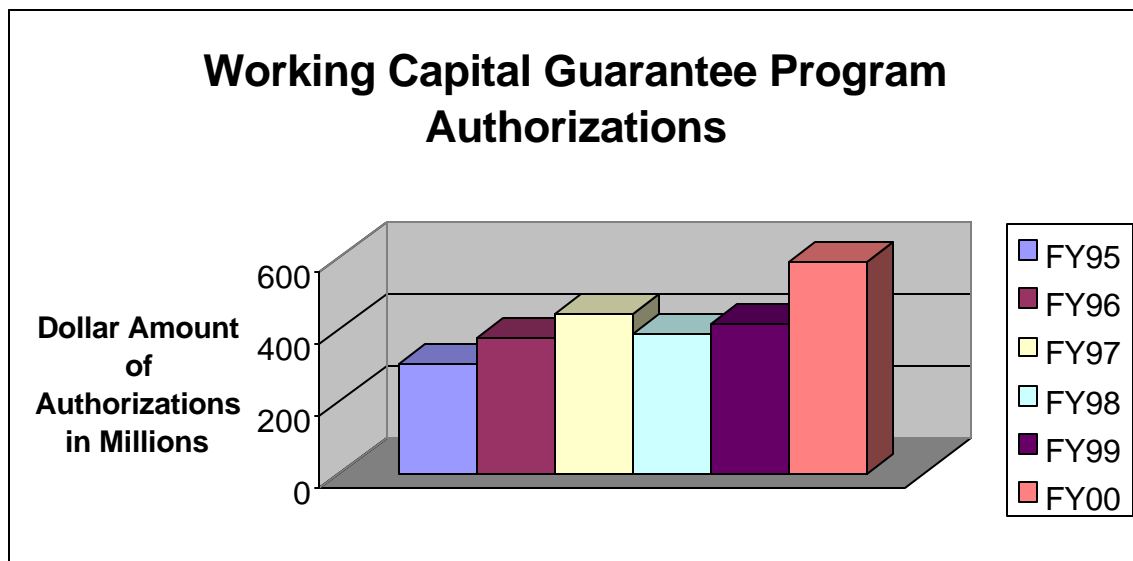
- Market Ex-Im Bank's Working Capital guarantee program to new groups of potential users;
- Create sales targets for the marketing staff;
- Increase delegated authority levels;
- Target a new group of lenders (asset-based); and
- Assign specific responsibility for marketing the program to one employee

Data Source: Authorization data from Ex-Im Bank's accounting system

Actual Performance:

The Business Credit Division is responsible for Ex-Im Bank's Working Capital Guarantee (WCG) Program. Working capital loans guaranteed by Ex-Im Bank help US exporters purchase finished products for export, pay for the raw materials, labor and overhead required to produce goods for export, and cover standby letters of credit.

In FY00, Ex-Im Bank steadily progressed towards its stated goal of providing \$1 billion in WCG support by the end of 2000. However, the goal was not met, primarily because it is optimistic if not unrealistic given market conditions and Ex-Im Bank's current administrative constraints. As such, staff feels this goal requires re-evaluation. Although the goal was not met, Ex-Im Bank recorded an extremely significant increase in WCG support in FY00--working capital loan guarantees rose **41%** to a record **\$588 million**.



This record increase is due in no small part to Ex-Im Bank's vigorous efforts to market the working capital guarantee program to new groups of potential users in FY00. In FY00, Ex-Im Bank joined a variety of trade associations, such as the Commonwealth Banking Association and the Turnaround Management Association, and continued its relationship with the Commercial Finance Association. Joining these groups has provided Ex-Im Bank with a bevy of outreach opportunities, such as presenting at and attending their quarterly meetings and renting booths at their Annual Conferences. In addition, Ex-Im Bank has significantly ramped up its advertising in such trade journals as "The Secured Lender" and "The Journal of Corporate Renewal". As a direct result of this new exposure, business clearly increased dramatically to its current record level and the Business Credit Division provided anecdotal reports that financial institutions are still seeking Ex-Im Bank support more than ever. To help assist with these outreach efforts, the Business Credit Division has one Full Time Employee (FTE) designated a "Lender Relations" marketing liaison. This FTE is charged with interacting with commercial banks and participating in seminars attended by banks and other financial institutions so as to increase awareness and usage of the WCG program, and has played an extremely valuable marketing role in the field.

In FY00, Ex-Im Bank increased the amount of working capital available through the Delegated Authority Lender Program. Delegated authority is a special partnership that allows qualified lenders to commit Ex-Im Bank's guarantee under the WCG program without prior approval from Ex-Im Bank. Delegated authority leverages Ex-Im Bank's scarce resources by tapping into existing private sector expertise, thus improving overall customer service. Furthermore, delegated authority speeds up the application and approval processes, helping to make businesses more competitive; average turnaround time for a WCG not submitted under delegated authority is between 2-6 weeks, but WCG's submitted under this program are usually completed within 5 business days. Ex-Im Bank currently has over 100 delegated authority lenders involved in the WCG Program. Ex-Im Bank granted new "Super" delegated authority to 14 large asset-based lenders, providing delegated authority limits of \$10 million per transaction/per borrower and \$150 million aggregate with the aim of further improving customer service and case turnaround time. While merger and consolidation activity in the banking industry kept the aggregate number of delegated authority lenders fairly static when compared to FY99, overall, Ex-Im Bank welcomed 20 new delegated authority lenders to the Program in FY00.

FY00 also saw the Business Credit Division begin the research and background analysis necessary to pave the way for automating select application processes. While the actual automation process is scheduled to begin in FY01, the \$600,000 contract for this initiative was awarded in FY00. The research and background analysis was composed of internal discussions as to which Ex-Im Bank processes best lent themselves to automation. It was decided that an automation process would best serve delegated authority transactions, which compose the bulk of the Business Credit Division's workload. The Business Credit Division is optimistic that automating these transactions will best allow Ex-Im Bank to balance its limited resources against its mandates to grow its business.

In FY00, Ex-Im Bank continued its long-standing relationship with the Small Business Administration (SBA). However, Ex-Im Bank and SBA continue to grapple with the challenges of harmonizing the differing goals and philosophies of two distinct US Government agencies with two different charters and mandates. Nevertheless, the Business Credit Division is optimistic that this relationship will continue along its present course, given the extent to which Ex-Im Bank's and the SBA's programs complement one another.

Performance Goal 3.2: Increase the number of insurance policies issued to small businesses and their lenders by 5% over FY1999 levels.

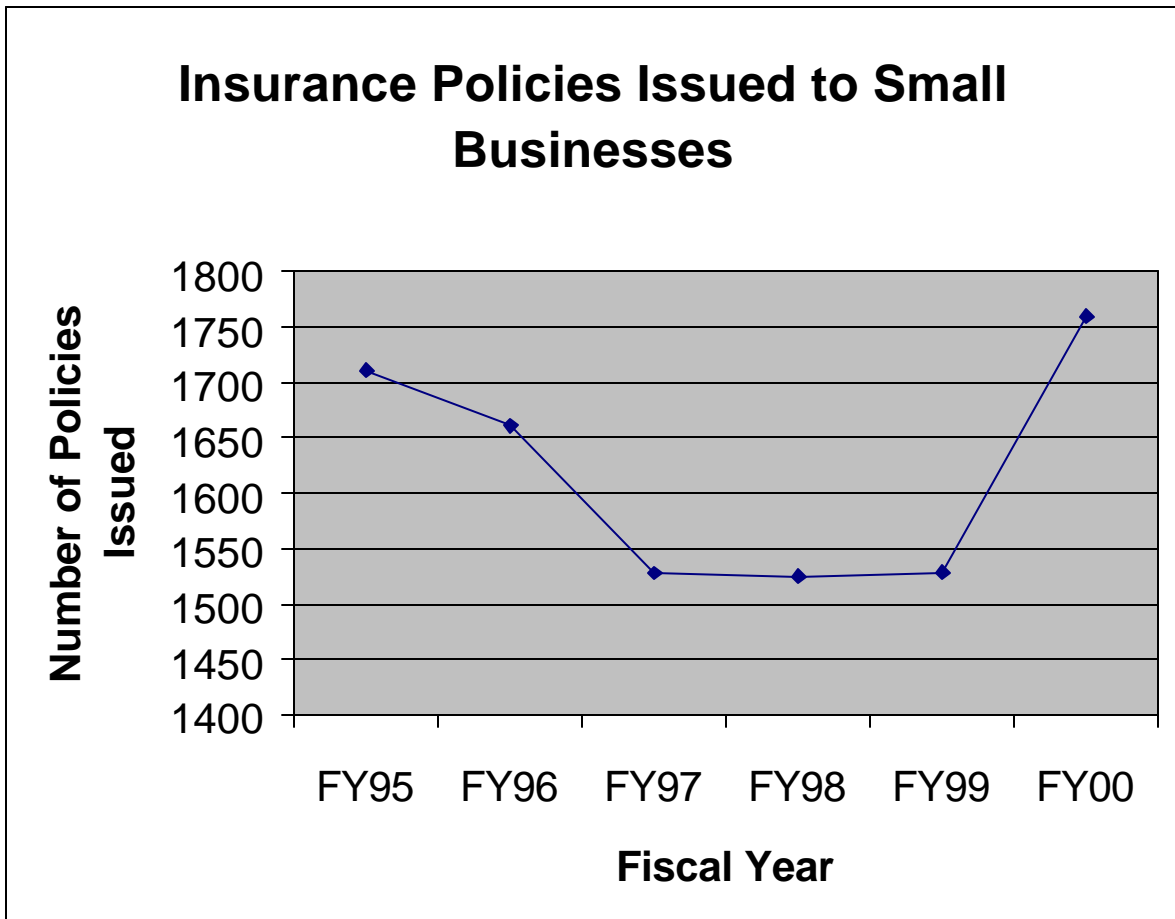
Strategies:

- Create sales targets for the marketing staff;
- Increase outreach efforts to small businesses; and
- Develop and implement product enhancements for small businesses

Data Source: Data is currently captured in Ex-Im Bank's insurance processing system and accounting system on policies issued and the involvement of a small business as a beneficiary of the insurance support. This data is readily available for measurement through the use of customized reports.

Actual Performance:

As stated above, the Insurance Division had a goal of increasing the number of insurance policies issued to small businesses and their lenders by 5% over FY99 levels. The Insurance Division not only met but exceeded this goal, recording an increase of **15%** in the number of small business insureds in FY00 over FY99.



In addition to the broad outreach efforts detailed in Goal 5, Ex-Im Bank relied on its network of Regional and Satellite Offices, located in New York, Washington DC, Miami, Houston, Chicago, Long Beach (California), Orange County and San Francisco, to help grow the business of its Insurance Program. In FY00, the Regional and Satellite offices reoriented their previous broad approach to focus in on small businesses and ramped up their outreach activities, contacting roughly 30,000 new and prospective customers. The Regional offices' staffs conducted approximately 3,000 office visits with US companies and was involved in over 250 global seminars that introduced the over 12,000 attendees to Ex-Im Bank's financing products. It is important to note however, that the success of these off-site offices is measured not in terms of its outreach efforts, but in terms of the new insurance policies they generate in a given fiscal year. For FY00, the Regional and Satellite offices had a goal of 675 new policies. They not only met but exceeded this goal: these offices generated 694 new policy sales, a margin of 3% over the established sales target. In addition, multi-buyer insurance quotes issued increased 60% in FY00, to 605, off of FY99's total of 377.

In FY00, Ex-Im Bank's Insurance Division developed and implemented a host of product enhancements and new products designed to make Ex-Im Bank's insurance policies more attractive to small businesses. One of the new products included the Short-Term Financial Institution Supplier Credit (FISC) Policy. In response to market conditions and an identified and documented need for this product, Ex-Im Bank offered this Policy in FY00. This Policy strengthens and compliments the existing short-term insurance product line by facilitating the use of insurance for small business exporters through financial institutions acting as wholesalers.

In addition, the Insurance Division conducted a comprehensive review of its short-term insurance pricing structure, a review aimed at developing a framework more reflective of market risks. The Insurance Division also evaluated the feasibility of changing the Small Business Policy export credit sales threshold from \$3 million to \$5 million. Increasing this threshold expands the availability universe for this product, as well as the potential for receiving an "enhanced assignment", a powerful and popular risk management tool that shifts exporter performance risk from the lender (who typically assumes this risk in an Ex-Im Bank backed deal) to Ex-Im Bank. The changes to the fee schedule and the threshold were approved in FY01. Also in FY00, Ex-Im Bank saw the increased insurance activity generated by FY99's changes to the short-term credit standards and monitored activity under the Africa Pilot Program, an initiative designed to grow Ex-Im Bank's presence in African markets.

Also in FY00, the Insurance Division completed the first phase of its Automation Project on time and under budget. This first phase, a requirements analysis, included complete business process reengineering. Phase Two options for implementation are currently under review.

Performance Goal 3.3: In FY00, 60% of all long-term loan and guarantee transactions (by number) will involve high-risk markets or high-risk customers and 85% of all medium-term loan and guarantee transactions will involve high-risk markets or high-risk customers.

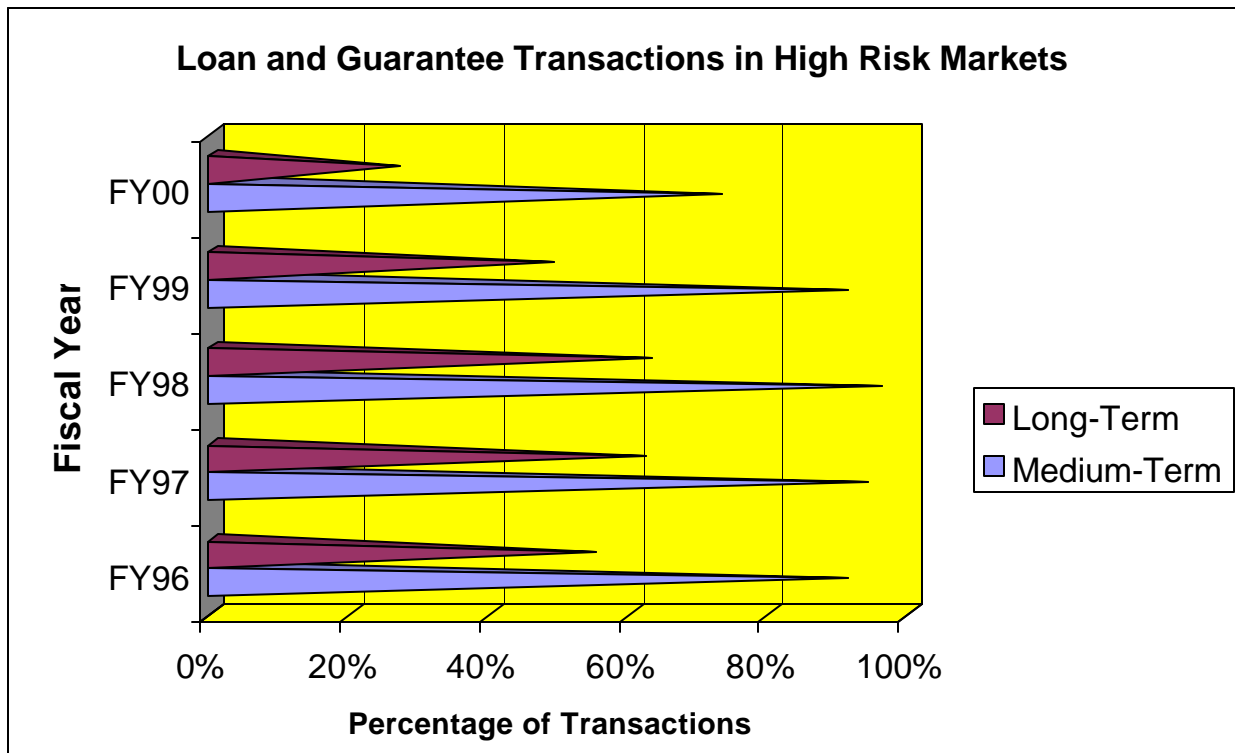
Strategies:

- Initiate special financing programs for high-risk markets;
- Locate a marketing officer in select high-risk markets;
- Increase travel to high-risk markets;
- Move the marketing for high-risk markets into the group responsible for medium and long term transactions; and
- Create a credit structure that allows support for sub-sovereign obligors

Data Source: Data is currently captured in Ex-Im Bank’s loan and guarantee processing system on country risk rating, credit standards, and financial condition. This data is readily available for measurement through the use of customized reports.

Actual Performance:

While Ex-Im Bank did significant loan and guarantee business in high-risk markets in FY00, it did not meet its stated goal of having 60% of all long-term and 85% of all medium-term transactions involve high-risk markets. Not meeting this goal can be attributed to the fact that the risk ratings for several of Ex-Im Bank’s most active markets improved during the course of FY00, rendering the transactions in those markets ineligible for this measurement.



Despite the data to the contrary, staff believes Ex-Im Bank made tremendous progress in FY00 in making its products available in high-risk markets, primarily because Ex-Im Bank now is undertaking systematic outreach efforts designed to reach these markets as never before.

In FY00, Ex-Im Bank initiated and refocused on special financing programs designed to increase usage of Ex-Im Bank financing products. Beginning August 2000, Ex-Im Bank started to accept the credit of qualified cities, states, and other subsovereign governments in emerging markets for the purchase of US equipment and services. This initiative was designed to make doing business with US companies easier for qualifying subsovereign entities in such countries as Argentina, China, Poland, and South Korea. Ex-Im Bank will continue to explore ways to expand the program in FY01 to reach more subsovereign governments in a larger number of countries.

Besides developing the aforementioned subsovereign initiative, Ex-Im Bank also reenergized its Foreign Currency Guarantee Program in FY00. The Ex-Im Bank Foreign Currency Guarantee Program (FCGP) was established to meet the needs of potential buyers of US goods and services. It is designed to help these buyers control certain risks associated with export credits by effectively spreading currency fluctuation risk amongst a number of parties. Ex-Im Bank staff heavily marketed this Program to prospective users in high-risk markets in FY00, seeing this Program as an effective means by which Ex-Im Bank could generate truly additional business in countries that are deemed at risk for future currency devaluations. During FY00, Ex-Im Bank expressed its willingness to accept applications for Indian Rupee financing under this Program, and the list of currencies in which Ex-Im Bank will be able to accept applications is expected to expand in FY01.

In a further effort to strengthen Ex-Im Bank's presence in high-risk markets, Ex-Im Bank supported its Business Development Officer stationed in Turkey during FY00 to work on the development of the Southeast Europe Initiative to increase the US presence in this important market. In addition, Ex-Im Bank had one full-time representative paid by the Department of Commerce stationed in Beijing during FY00 to help increase awareness of Ex-Im Bank's products in this growing economy.

In terms of staff travel, FY00 was an extremely busy year for Ex-Im Bank. In FY00, Ex-Im Bank's management made a concerted effort to increase the amount of outreach and international business development, especially in markets that previously garnered little attention. As a result, Ex-Im Bank staff visited many high-risk markets in FY00, including but not limited to Nigeria, Senegal, Mozambique, Kenya, Jordan, Georgia, Azerbaijan, Armenia, and Vietnam. These trips normally included a mixture of seminars and individual customer meetings. Ex-Im Bank staff noted that these trips have the benefit of generating additional lending activity within a short period of time. While this activity tends to be small transactions, Ex-Im Bank's motivation for these trips is to establish and foster commercial and governmental relationships that did not exist previously to the trade missions.

In FY00, Ex-Im Bank successfully reorganized its international marketing department, moving this division into the area responsible for medium- and long-term transactions, the Structured and Trade Finance Group. Ex-Im Bank management felt this transfer was necessary to allow staff to develop a focus on foreign education and outreach efforts to potential buyers of US goods and services.

Performance Goal 3.4: Increase the amount of Ex-Im Bank authorizations for environmentally beneficial exports by 5% over FY99.

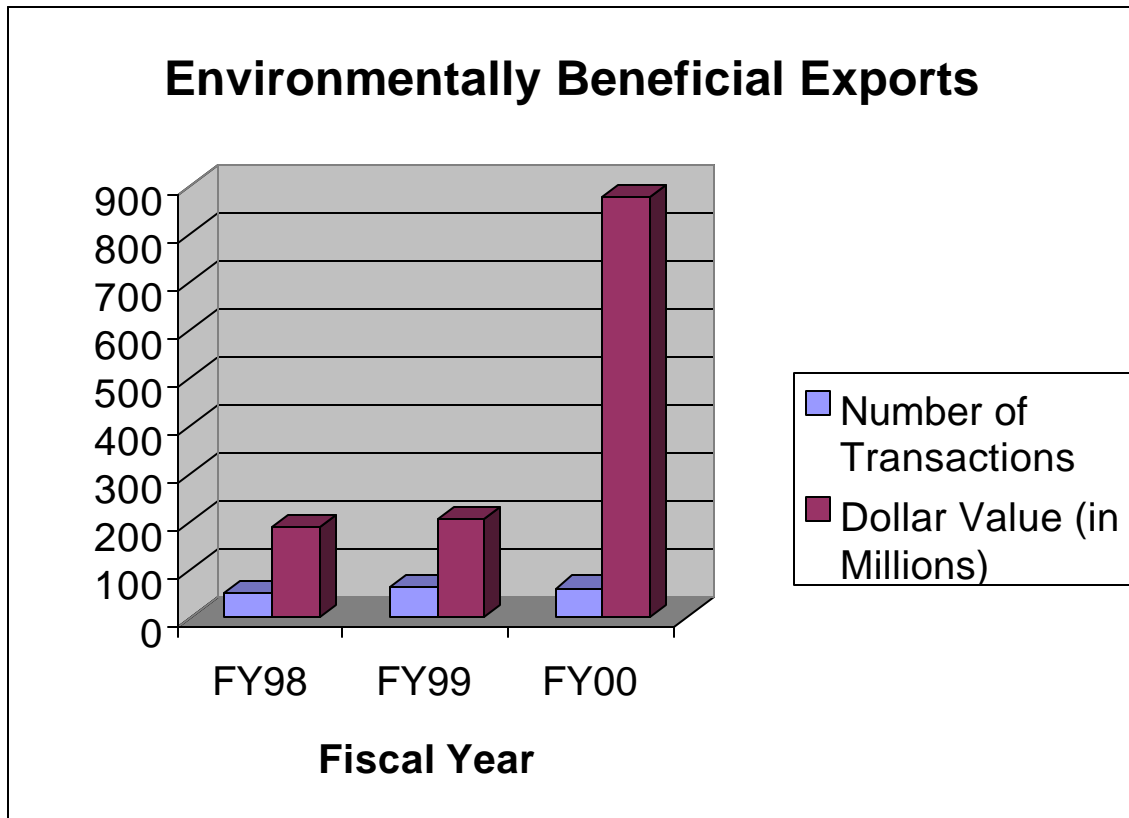
Strategies:

- Work with the Department of Energy to attract interest in the China Environmental Fund; and
- Target specialized marketing efforts at environmental exporters

Data Source: Authorization data from the accounting system and information on the environmental nature of the export as captured in Ex-Im Bank's processing systems.

Actual Performance:

Ex-Im Bank created its Environmental Exports Program in 1994 as a pro-active means to fulfill its Congressional mandate to increase its support of environmentally beneficial goods and services exports. Since the Program's inception in 1994, environmental transactions supported by Ex-Im Bank have grown from 13 in 1994 to **62** in 2000, with a total portfolio well in excess of \$2 billion.



In FY00, Ex-Im Bank authorized loans, guarantees and export credit insurance policies in support of nearly \$877 million worth of US exports that were environmentally beneficial or were sold for environmentally beneficial foreign projects. Ex-Im Bank met and exceeded its stated goal of increasing environmentally beneficial exports by 5% over FY99. In FY99, Ex-Im Bank authorized 65 environmentally beneficial transactions that resulted in environmental exports totaling \$206.8 million. In FY00, although the number of environmentally beneficial transactions decreased to 62, the dollar amount of authorizations increased to approximately \$877 million. One of the reasons why Ex-Im Bank surpassed this goal is that in FY00 Ex-Im Bank supported 5 large combined cycle power plants that met Ex-Im Bank's criteria for environmental exports due to their high fuel efficiency and/or low emissions. Power plants that meet certain efficiency thresholds and/or low emission thresholds are eligible for support under Ex-Im Bank's Environmental Exports Program.

The Program benefits not only the environment but also helps expand the US environmental industry, an industry that generates a yearly trade surplus of \$8 billion. The Program's parameters demonstrate Ex-Im Bank's resolve to reach out to all exporters of environmental products and services regardless of their size. Technologies and services that provide restoration, treat wastewater, and provide renewable energy or energy efficiency are prime examples of the environmental projects that Ex-Im Bank seeks to support. Ex-Im Bank's Environmental Exports Program includes a pro-active business development approach and special enhancements for environmental exports, including supporting the maximum allowable repayment terms permissible under OECD and Berne Union guidelines; capitalization of interest during construction; and local cost support equal to 15% of the US contract price. In addition to these enhancements, Ex-Im Bank will aggressively use its tied aid resources to offset foreign concessionary financing offers for environmental projects.

To increase its support of environmental exports, Ex-Im Bank aggressively promoted clean US renewable energy exports that produce relatively small amounts of greenhouse gases, and worked in conjunction with the Department of Energy (DOE) to identify and target foreign markets for US exporters of wind, solar, and geothermal energy and technologies that promote energy efficiency. In support of this endeavor, Ex-Im Bank and the DOE gave several joint presentations to Chinese Energy Officials in FY00. Looking forward, Ex-Im Bank is considering a joint trade mission to China in FY01 with the DOE to help increase its presence in this important market.

In addition to DOE, Ex-Im Bank worked with a variety of other US Government agencies in FY00 to market its Environmental Exports Program. Ex-Im Bank joined forces with the Department of Commerce, in the form of joint Export Finance Seminars, to promote environmental exports. These seminars have generated increasingly significant interest and business, and are expected to continue in FY01. In addition, Ex-Im Bank participated both in USAID's Global Technology Network e-mail broadcast program and in Environmental Protection Agency (EPA) sponsored conferences. Ex-Im Bank staff plans to continue and expand Ex-Im Bank's inter-agency outreach efforts in FY01 by working in conjunction with the Departments of Commerce, Energy, and State and the

EPA to improve business development foci in foreign target markets. In addition, Ex-Im Bank expects to partner with multilateral development banks and foreign environmental funds to further raise the profile of the Environmental Exports Program in FY01.

In terms of its ongoing efforts to broaden its reach in emerging markets, Ex-Im Bank continues to seek out partners who can assist in the promotion of US environmental exports. In early April of FY00, Ex-Im Bank Director Dan Renberg traveled to the Czech Republic and Hungary to raise awareness of Ex-Im Bank's Environmental Export Program. As a result of this business development mission Ex-Im Bank signed an agreement with the Hungarian Export Import Bank establishing the South-East Europe Reconstruction Credit Initiative. Under this initiative, Ex-Im Bank and the Hungarian Export Import Bank will work together to identify environmentally beneficial projects in countries such as Croatia, Romania, and Bulgaria for joint support. To implement this agreement, Director Renberg has met with the Ambassadors to the United States from Hungary and Croatia, and Ex-Im Bank sent a senior trade finance specialist to the region to identify potential projects under this program.

On the domestic front, Ex-Im Bank began in FY00 to advertise its Environmental Exports Program in a variety of high profile trade finance journals, a practice staff will continue into FY01. In addition, Ex-Im Bank staff participated in business development missions throughout the United States during FY00, visiting states such as California, Vermont, Virginia, and Georgia. These outreach efforts have proven to be powerful tools for growing awareness of the Environmental Exports Program. In California, for example, Ex-Im Bank partnered with the California Energy Commission and the California Environmental Business Council to provide counseling services for their members preparing for overseas trade missions. Thanks to the positive word of mouth generated by these successful business development missions, Ex-Im Bank staff now has meetings almost daily with new customers looking to participate in environmental transactions and needing guidance on how to proceed. This counselor role has proven to be a very beneficial for Ex-Im Bank as it helps overcome the one of the largest impediment to usage of the Environmental Exports Program: lack of awareness. Looking ahead to FY01, Ex-Im Bank staff is planning on strengthening its existing partnerships with the environmental industry and state governments so as to increase awareness and usage of the Environmental Exports Program.