

GOAL FOUR: Develop Techniques and/or Programs that Will Maximize Ex-Im Bank's Support for US Exports by Leveraging Ex-Im Bank's Resources

Performance Goal 4.1: In FY00, establish a financing vehicle that will allow the private sector to share 10% of the risk of Ex-Im Bank's medium and long term deals.

Strategies: Ex-Im Bank will solicit and evaluate proposals from a number of investment banks and insurance companies, select the proposal that offers the best combination of risk sharing, leverage, pricing and structure, and implement an ongoing program that provides flexibility in utilizing one or more risk sharing strategies depending on market conditions.

Data Source: Placement/offering circular and/or reinsurance policy.

Actual Performance:

While Ex-Im Bank did not completely achieve this goal in FY00, the establishment of a private sector risk-sharing vehicle is practically complete. Ex-Im Bank staff was successful in completing a process whereby Ex-Im Bank issued an invitation to submit proposals, evaluated a number of serious responses, performed detailed analytical work on Ex-Im Bank's historical losses, vetted the proposal to stakeholders in various agencies and Congress, and negotiated a draft term sheet with Citigroup.

On February 16, 2000, Ex-Im Bank issued an Invitation to Submit Proposals ("I Private Sector Risk Sharing. The purpose of the ISP was to determine whether Ex-Im Bank could arrange a cost-efficient structure that would encourage private sector risk capital to participate in some portion of Ex-Im Bank's future (FY 2001) medium- and long-term insurance and/or guarantee transactions in exchange for a share of its expected exposure fees on that portfolio.

Ex-Im Bank crafted the ISP as a challenge to the private sector to create a public-private partnership structure that would allow each party to play that role for which it is most suited in the financing of U.S. exports.

Any proposed facility had to permit the continued operation by Ex-Im Bank of its programs without any constraints imposed by the providers or arrangers of the facility. Specifically, Ex-Im Bank had to retain the ability to exercise its sole judgment in authorizing guarantees and insurance policies, recognizing and paying losses and claims, exercising remedies and forgiving indebtedness.

If successful, this structure could catalyze significant private sector capital participation in the financing of U.S. exports and may lead to more efficient use of Ex-Im Bank's

limited budgetary resources. To our knowledge no other ECA has executed such a transaction.

This ISP was also notable in that it represents the first time Ex-Im Bank has conducted this type of process completely via its website. An advertisement in the February 16, 2000, Wall Street Journal directed interested parties to download the ISP, as well as other information relevant to investor due diligence, at www.exim.gov.

In particular, the website included descriptions of Ex-Im Bank's loan guarantee programs and export credit insurance programs, its application and credit review processes, its transaction fees, its historical portfolio data, and its asset management, claims process and recovery actions.

On March 7, 2000, Ex-Im Bank held a pre-proposal conference at which time a list of approximately 60 pre-submitted questions concerning the ISP were addressed. More than 45 people, representing at least 34 institutions attended. In addition, approximately another 25 parties participated via teleconference.

As of the ISP due date of April 4, 2000, Ex-Im Bank had received 8 responses, 7 of which were generally responsive proposals (from Citibank, J.P. Morgan, Morgan Stanley/Aon, Chase, Merrill Lynch, Goldman Sachs and Financial Solutions) and 1 (from SG Cowen) was a letter merely offering advisory services.

The Risk-Sharing ISP Team (Team) performed an initial review of the proposals and determined that 4 of the 7 proposals (those from Citibank, J.P. Morgan, Morgan Stanley/Aon and Chase) were most attractive, but that further clarification of certain points on each of those 4 proposals was necessary.

On April 18, 2000, the Team sent out questions seeking clarification from this group. By April 28, 2000 the Team had received responses from all four firms. Based on those responses, the Team (in consultation with both Sidley & Austin, the law firm Ex-Im Bank retained to advise the Team on the risk-sharing program, and the Office of Management and Budget (OMB)) performed its evaluation.

Based on the evaluation criteria outlined in the June 1, 2000 memorandum to the Board of Directors, the Team recommended that the Board award the mandate to structure the first Ex-Im Bank private sector risk transfer transaction to Citigroup. The Citigroup proposal represented the facility most likely to result in a cost-efficient and marketable transaction. The Board approved staff's recommendation.

Ex-Im Bank negotiated an initial term sheet with Citigroup by September 2000, which was provided to both Treasury and OMB for Administration review and approval. In short, the term sheet would result in the private sector taking a second risk position in a \$1.0 billion pool, which would be comprised of eligible medium- and long-term guarantees and insurance transactions authorized by Ex-Im Bank in FY 2001 (and perhaps part of FY 2002). In exchange for this risk protection Ex-Im Bank would cede to

the private sector risk takers a portion of the fees paid by borrowers. The term sheet met all of the criteria set out in the original ISP, and also met the requirements established in early 2000 by OMB that the facility:

- (1) Demonstrate significant public policy benefits:
 - The facility will increase private market capacity for taking export credit risk, thus expanding capital available for financing U.S. exports. It will encourage new financing techniques and risk taking mechanisms for export credit transactions. Consequently, it should lead to more competitive private sector financing of U.S. exports.

- (2) Result in budgetary cost savings:
 - There are significant benefits to the Government from this risk-sharing arrangement. The cost savings to the Government are not expected to be large at first, although some small cost savings are expected. Savings would depend on the eventual losses in the pool, which will not be known for perhaps 15-20 years. However, based on current U.S. Government estimates of losses expected on a future pool, dollar savings would be between \$137 million and \$53 million after paying the premium to the private sector risk-takers, with a current budget authority savings of between \$2 million and \$13 million. However, in addition to the cost savings there are significant other benefits that will be realized from the proposal.

The Clinton Administration declined to approve moving forward with this risk-sharing transaction, and as of early February 2001, it is under review by the Bush Administration.

Performance Goal 4.2: Develop and implement an e-commerce strategy to improve case processing efficiency and reach out to new customers.

Strategies:

- Hire a consultant to help Ex-Im Bank develop its e-commerce strategy;
- Form a special committee to initiate and incubate e-commerce initiatives; and
- Develop and implement, on a pilot basis, key e-commerce projects as proof of concept initiatives

Data Source: A printed report of Ex-Im Bank's e-commerce strategy.

Actual Performance:

In FY00, Ex-Im Bank's e-commerce committee established a list of 18 priority e-commerce and technology projects to be pursued with the assistance of Ex-Im Bank's Information Management/Technology division and each related division within Ex-Im Bank. In addition, the division of Information Management/Technology developed Ex-Im Bank's e-commerce Strategy Report, its e-commerce Analysis, the Statement of Work (SOW) for the Working Capital Guarantee e-commerce Project, and a proposed Invitation to Submit Proposal (ISP). The ISP calls for full electronic communication, information sharing, management, and product service delivery via the Internet with appropriate tie-in technology to existing systems or a newer platform. Besides improving customer service by building a trade finance portal that will streamline processes and ease access to Ex-Im Bank information, financing, and product delivery, this initiative will increase Ex-Im Bank's customer base by strategically marketing Ex-Im Bank services through the vertical and horizontal Internet marketplaces.

Ex-Im Bank recognizes the critical role information technology plays in achieving its goal of maximizing exports of US goods and services. To utilize this tool, it has embarked on a major effort to deploy Internet-based solutions as a means by which it can more effectively support US exporters, especially small- and medium-sized enterprises (SMEs). The division of Information Management/Technology hired an e-commerce consultant team that began in July 2000 to assist with the development of a comprehensive e-commerce strategy.

In FY00, e-commerce consultants worked hand-in-hand with Ex-Im Bank's own e-commerce team, the group responsible for all e-commerce initiatives at Ex-Im Bank. The Ex-Im Bank e-commerce team was established in December 1999 and is composed of representatives from all over Ex-Im Bank who meet to determine the technology and e-commerce needs of Ex-Im Bank. The Ex-Im Bank e-commerce team's mission is to leverage the efficiency, speed and reach of the Internet to build a electronic trade finance portal that will enable exporters from every U.S. community to identify foreign buyers and access Ex-Im Bank financing to meet their needs in a faster, more efficient way.

In the context of the 18 priority technology and e-commerce projects, Ex-Im Bank saw 10 of its internal business processes move to either full or partial automation in FY00:

- Medium-Term Electronic Compliance Program (Credit Review)
 Ex-Im Bank has developed a web-based electronic compliance system for approving disbursements under the Medium-Term Guarantee Program. Under the Medium-Term Electronic Compliance Program, the Lender is responsible for reviewing the portfolio of the client vis-à-vis their checklist of credit history factors, which is then electronically transmitted via the Internet to Ex-Im Bank for review. If Ex-Im Bank approves the request, the request is assigned an approval number over the Internet, eliminating the need for paper documentation and mailing procedures. This data remains confidential as strict privacy regulations are maintained between the lender-creditor team. The goal of this project is to improve the efficiency of the lending process and ultimately to decrease Ex-Im Bank's case processing time, and it has already been astonishingly successful. The director of the ECP reports turnaround time has dropped from 14 days to 3 business days and that paperwork has been reduced by nearly 90 percent. This decrease will in turn promote business growth by providing the capacity to handle a larger clientele.
- Web-Based Downloading of Existing Bank Forms
 Ex-Im Bank application forms and other forms are now available for downloading in a PDF or WordPerfect format at www.exim.gov/forms.html.
- Electronic Forms (Bank Wide)
 Ex-Im Bank has also undertaken a project designed to convert all internal and inter-governmental documents into electronic format. Under this project, Ex-Im Bank will post electronically converted documents on the Internet as well as the intranet. The conversion process entails a mechanical element, and an organizational aspect, establishing a cataloguing system that will standardize the forms across Ex-Im Bank. The main goal of this initiative is to make electronic forms user-friendly and easily accessible to Ex-Im Bank staff. Besides facilitating Ex-Im Bank's administrative processes, this conversion will assist Ex-Im Bank's compliance efforts with paper reduction legislation.
- ACT – Customer Contact Software (Regional Office Connections)
 The marketing and business development divisions of the Ex-Im Bank are expanding the number of clients and exporters with whom Ex-Im Bank does business using the ACT software program. In essence, this program is designed to function as an electronic marketing campaign and customer contact manager. Advertisements and information on Ex-Im Bank's resources and capabilities are distributed among the small business and exporting communities. These documents contain a source number that allows the software to track them. As responses to these leads come into Ex-Im Bank, the ACT software channels the information on that potential customer to the appropriate regional office.

- Online Credit Card Payments (in cooperation with U.S. Dept. of Treasury, FMS)
Ex-Im Bank developed a secure credit card payment program in FY00 that allows customers to register for seminars, conferences and purchase products online. The system reduces administrative handling and processing for all of these services. This program was launched in January 2001.

- Electronic Claims
Ex-Im Bank's Asset Management Division is undertaking the development of an Electronic Claim Filing System. Ex-Im Bank reached an agreement with outside developers to build the Electronic Claims Application. The project began in the fourth quarter of FY00 and its expected completion date is in the third quarter of FY01. The purpose of this work is twofold: 1) to provide the Ex-Im Bank policyholder with the alternative of filing a claim under Ex-Im Bank's insurance program through the Internet, and; 2) to improve Ex-Im Bank claim processing time by importing a pre-edited claim application from the Internet into Ex-Im Bank's legacy systems to be reviewed by (rather than entered by) Ex-Im Bank's Asset Management Division.

- Insurance Division
The Insurance Automation Project, begun in October 1999, can be divided into two phases: 1) Analysis/Design, and 2) Implementation. The Analysis/Design phase was completed in September 2000. This Project has two primary goals: 1) to increase Ex-Im Bank's assistance for small- and medium-sized exporters through expanded distribution channels, creating high quality customer service and 2) to provide Ex-Im Bank with the ability to accurately and promptly quantify, understand and manage risk. It is anticipated that the Insurance Automation Project will offer expanded and broadened access to Ex-Im Bank's export credit insurance services through the use of an electronic medium to overcome long-existent constraints on the marketing and distribution side of business.

- Working Capital Guarantee Program
As part of Ex-Im Bank's e-commerce Strategy, the Working Capital Guarantee Program (WCGP) was targeted in FY00 to be the first fully automated online financial product offered by Ex-Im Bank. The project is a complex technological effort that will set the stage for future web-enabled projects. This e-commerce solution will tie seamlessly to Ex-Im Bank's mainframe processes. The overhaul of the WCGP includes complete business process re-engineering (BPR), systems design, development, and programming. This initiative will offer significant benefits to Ex-Im Bank, enhancing turnaround time and streamlining current business processes by automating currently manually driven processes and by providing seamless web user interfaces. The system will be completed June 30, 2001, and a beta test version of this online delivery system will be ready March 30, 2001.

The development of Ex-Im Bank's e-commerce strategy is a dynamic and ongoing effort. Because of the bifurcated legacy systems (mainframe and AS/400) currently used by Ex-Im Bank, it is important to recognize that significant gains in processing times and increased responsiveness to customers' needs hinges in great part on the backbone technology used to deliver these services. That is why Ex-Im Bank is pursuing the concept of unifying platforms (as a future goal) and moving processes to newer systems. This will eliminate redundant, incompatible and costly outdated systems and applications. This also will allow Ex-Im Bank to more rapidly and more accurately access data from its two distinct operating systems. These gains are expected to be transferred to numerous business processes as Ex-Im Bank continues to web-enable, automate and re-engineer business processes.