



Economic Tools Mapping

EXPORT-IMPORT BANK

Market Building Initiative: A Program with the Aspen Institute

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Overview

Established in 1934, the Export-Import Bank of the United States (Ex-Im Bank) is the official export credit agency of the United States. Ex-Im Bank's mission is to assist in financing the export of U.S. goods and services to international markets. Ex-Im Bank enables U.S. companies, both large and small, to turn export opportunities into real sales, maintaining and creating U.S. jobs and contributing to the national economy. Ex-Im Bank does not compete with private sector lenders, but provides export financing products that fill gaps in trade financing. The entity assumes credit and country risks that the private sector is unable or unwilling to accept, particularly with exports to developing countries. They also help to level the playing field for U.S. exporters by matching the financing that other governments provide to their exporters. This facilitates beneficial trade between the U.S. and developing countries. Similar banks exist in Canada, India, China, and other developed and developing nations around the globe.

Structure

Ex-Im Bank provides guarantees in a variety of formats aimed at reducing otherwise unpalatable risk for exporters and buyers. The organization maintains that no transaction is too large or too small.

- i) *Working Capital Guarantee* – Exporters may use guaranteed financing to gain bank loans in order to purchase of finished products for export, pay for raw materials, equipment, supplies, labor and overhead to produce goods and/or provide services for export, cover standby letters of credit serving as bid bonds, performance bonds, or payment guarantees, and finance foreign receivables.¹
- ii) *Supply Chain Finance Guarantee* – This benefits U.S. exporters and their suppliers through accounts receivable financing. It is designed to provide suppliers, particularly small businesses, with access to capital faster and at a discounted rate. The Ex-Im Bank guarantee, which bears the full faith and credit of the United States, is provided directly to the lender allowing them to efficiently maintain their relationships directly with the exporters and suppliers without Ex-Im Bank involvement. Lenders must have an existing supply chain finance platform which is subject to Ex-Im Bank due diligence and approval.²
- iii) *Export Credit Insurance Policies*– Ex-Im also provides a variety of insurance options for credit and commercial risk, including: small business insurance policies, multi-buyer policies, single-buyer policies, express insurance, bank letters of credit, medium-term insurance policies, and foreign-dealer insurance policies. Various restrictions for qualified exporters apply, as do the terms and items covered. Restrictions on content and service provision, as they pertain to US input are also present in varying forms. In some cases, a requirement of cash payment of a percentage of the contract value ahead of time by the exporter or buyer may also be required.³
- iv) *Loan Guarantees and Direct Loans* - Ex-Im Bank assists exporters by guaranteeing term financing to creditworthy international buyers, both private and public sector, for purchases of U.S. goods and services. With Ex-Im Bank's loan guarantee, international buyers are able to obtain competitive term financing from lenders when financing is otherwise not available or there are no economically viable interest rates on terms over one-to-two years. The

¹ Ex-Im Products and Policies, <http://www.exim.gov/products/index.cfm>.

² Ibid.

³ Ibid.

- program enables international buyers to obtain loans from lenders, covers 100% of commercial and political risks , flexible financing options and repayment terms, no limits on transaction size, medium-term and long-term financing available. The guarantee of a lender's loan to an international buyer is generally used for financing purchases of U.S. capital equipment and services.⁴
- v) *Finance Lease Guarantee* - Ex-Im Bank will guarantee lease financing of U.S. goods and services to creditworthy international lessees, both private and public, when financing is otherwise not available or applicable interest rates are not economically viable. This vehicle enables international lessees to obtain finance leases from lessors, covers commercial and political risks, provides flexible financing options and repayment terms.⁵
 - vi) *Direct Loan* –Direct loans are the provision of fixed-rate loans to creditworthy international buyers, both private and public sector, for purchases of U.S. goods and services. The vehicle enables international buyers to obtain loans from Ex-Im Bank, and provides medium-term and long-term financing structures.⁶
 - vii) *One-Stop-Shop Facilities* - To facilitate financing with other export credit agencies (ECAs), Ex-Im Bank is actively establishing "One-Stop-Shop" co-financing facilities. "One-Stop-Shop" arrangements allow products and services from two (or more) countries to benefit from a single ECA financing package. Without co-financing, the parties would have to make separate financing arrangements with two (or more) ECAs to ensure support for exports from various countries.⁷

Rules

A variety of restrictions on U.S. and foreign beneficiaries apply in each of the guarantee activities discussed. For instance, direct loans require 15% cash payment of the supply contract to be made by the buyer and eligible guarantee on a working capital guarantee is 90% of the bank loan.⁸ In addition to these more technical guidelines, often aimed at sharing responsibility, there are additional, political restrictions on Ex-Im Banks fund usage. US firms and individuals must comply fully with the Foreign Corrupt Practices Act of 1977 prohibiting corrupt payments to foreign officials for the purpose of obtaining or keeping business in addition to the OECD Anti-Bribery Recommendations. All debarment lists established by the World Bank, the African Development Bank, the Asian Development Bank, European Bank for Reconstruction and Development and the Inter-American Development Bank are recognized as well. The U.S. Excluded Parties List System and the Specially Designated Nationals List of the Office of Foreign Assets Control Regulation also prohibits conducting business with listed persons or entities. Ex-Im also has established best practices for due diligence for their own investments, ensuring the creditworthiness of their lending and guarantee activities.

Financing

The Ex-Im Bank does not explicitly restrict the size of its funding levels, but rather makes case by case decisions on what is the appropriate level of funding. See the above facility structures and descriptions for more detail on each potential determinant and size range. Ex-Im itself is not funded by the U.S.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸Ex-Im Bank of the U.S. : <http://www.exim.gov/about/mission.cfm>

government and operates at no net cost to taxpayers because of fees and interests on loan transaction. The agency generated \$3.4 Billion over the past 5 years.

Operations and Outcomes

With more than 77 years of experience, Ex-Im Bank has supported more than \$456 billion of U.S. exports, primarily to developing markets worldwide.¹ On average, 85% of their transactions directly benefit U.S. small businesses.⁹ In addition to the generated income, Ex-Im has supported an estimated 230,000 American jobs at 3,300 American companies.¹⁰

Box 1- Operations: Love & Quiches and Pace Products

Love & Quiches is a small business that has grown to sell desserts to countries in the Middle East, Far East, and Russia. In the process, lenders review the quality of any company's outstanding accounts receivables to determine how much they are willing to lend. When Love & Quiches applied for financing with Wells Fargo Bank, Ex-Im Bank's small business export credit insurance, backed by the U.S. government, provided the reassurance needed for Wells Fargo to advance funds against the company's foreign receivables and improved its cash flow. The policy has been in place since 2006. It has covered nearly \$5 million of exports in the 12 months ending April, 2011, and supported about 35 of its 250 employees. Love & Quiches' insurance broker is International Risk Consultants and their receivables are assigned to Wells Fargo Bank.

Pace Products (a Kansas roof coating supplier with 25 employees) sells its products in 30 countries and many customers were requesting credit terms. Ex-Im Bank's short-term multi-buyer insurance policy allowed Pace to extend credit up to 180-day. The Bank has supported \$1.9 million in international sales from 2007 with a 20 percent increase in 2010 over 2009. Pace has a number of customers who buy again, and more quickly, because they know they can get credit. Exports now comprise 25 percent of Pace's total sales and the company is adding staff to handle the extra volume.

See Ex-Im Bank Website: http://www.exim.gov/sbgport/SB_success.cfm

⁹ Ex-Im Bank of the U.S. : <http://www.exim.gov/about/mission.cfm>

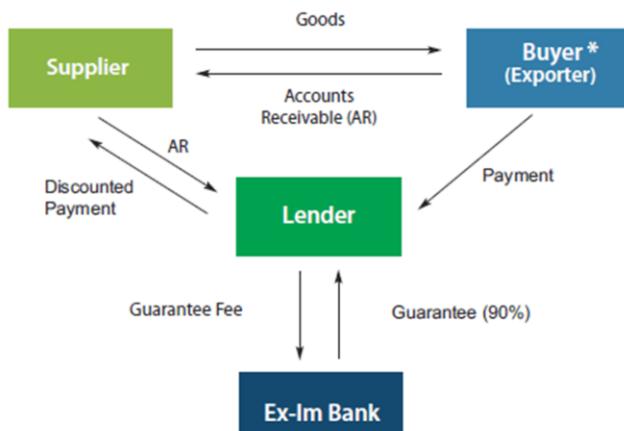
¹⁰ <http://www.exim.gov/pressrelease.cfm/263BD7DC-B409-0463-CE085FF95BC9E12D/>

Box 2- Capital Guarantee and Supply Chain Guarantee Structures

Below is a hypothetical example as to how the working capital guarantee may work:

Collateral	Amount	Your Working Capital Facility without Ex-Im Bank		Your Working Capital Facility with an Ex-Im Bank Guarantee	
		Advance Rate	Borrowing Base	Advance Rate	Borrowing Base
<i>Export Inventory (Supported by an Export Order)</i>					
Raw Materials	\$200,000	20%	\$ 40,000	75%	\$ 150,000
WIP	200,000	0%	0	75%	150,000
Finished Goods	600,000	50%	300,000	75%	450,000
<i>Export Foreign Accounts Receivable</i>					
Open Account/Foreign Account Receivable	\$400,000	0%	0	90%	\$ 360,000
L/C Backed A/R	600,000	70%	<u>420,000</u>	90%	<u>540,000</u>
Total Borrowing Base		\$760,000		vs. \$ 1,650,000	

Below is a hypothetical example as to how the supply chain guarantee may work:¹



*This program is designed for exporters but could also apply to a foreign buyer and their

Further Resources

- U.S. Ex-Im Charter- <http://www.exim.gov/about/charter/index.cfm>
- U.S. Ex-Im Annual Reports- <http://www.exim.gov/about/reports/ar/index.cfm>
- U.S. Ex-Im Economic Impact Notices- <http://www.exim.gov/products/policies/noticeindex.cfm>
- U.S. Ex-Im Partners- <http://www.exim.gov/about/partners/index.cfm>
- U.S. Ex-Im Small Business Success Stories- http://www.exim.gov/sbgport/SB_success.cfm
- Ex-Im Canada- <http://eximcanada.com/>
- Ex-Im China- <http://english.eximbank.gov.cn/>
- Kuke Poland- <http://www.kuke.com.pl/home.php>
- ECGD UK- <http://www.ecgd.gov.uk/>
- Export Credit Bank of Turkey- <http://www.eximbank.gov.tr/eng/engindex.htm>
- SID Slovenia- <http://www.sid.si/home>

