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Export-Import Bank of the United States (Ex-Im Bank)

Ex-Im Bank, the official U.S. government export credit agency (ECA), has a mission to support U.S. jobs by financing and facilitating U.S. goods and services exports. Operating under a renewable, general statutory charter (Export-Import Bank Act of 1945, as amended; 12 U.S.C. §§635 *et seq.*), it aims to support U.S. exports when the private sector is unwilling or unable to provide financing, and/or when U.S. exports compete overseas against exports from other countries backed by foreign ECAs.

Export Financing Background

Exporters may face commercial and political risks of buyer non-payment, as well as challenges attracting sufficient capital (e.g., for infrastructure projects). Export financing can help to mitigate risks and increase liquidity for exports. It may be available through various channels, including commercial banks. National governments also may provide such financing through their ECAs to fill gaps in private sector financing and/or advance other policy goals and strategic interests. Ex-Im Bank is among at least 116 known ECAs globally, which vary in size, policies, and activity (see Ex-Im Bank, *2022 Competitiveness Report*, June 2023).

Agency Overview

Authorization. In 2019, Congress extended the Bank's general statutory authority for seven years, through December 31, 2026 (P.L. 116-94, Div. I, Title IV). Absent reauthorization, the Bank generally would be unable to approve new transactions, but it would be able to continue managing its existing financial obligations, and perform certain other functions for "an orderly liquidation."

Leadership. A five-member Board of Directors leads the Bank, with members presidentially appointed, Senate-confirmed, and no more than three from any one political party. The Bank's President and First Vice President serve, respectively, as the Board's Chair and Vice Chair. The Board needs a quorum of at least three members to conduct business, such as to approve transactions above a certain threshold, make policies, and delegate authority. The 2019 reauthorization provided alternative Board procedures in the event of a quorum lapse. The Board currently has four filled positions, including the President/Chair and First Vice President/Vice Chair; three terms expire in January 2025 and one in January 2027. By statute, an Advisory Committee and a Sub-Saharan Africa Advisory Committee support the Board. The Bank also has created advisory subcommittees on issues such as competition with China.

Programs. The Bank's activities are demand-driven, fee-based, and backed by the full faith and credit of the U.S. government. Key general programs include:

- *direct loans* to foreign buyers of U.S. exports (interest rates based on spreads set in international rules above Treasury rates);
- *loan guarantees* to lenders against default on loans to foreign buyers of U.S. exports (lender usually sets rate);
- *insurance* to protect U.S. exporters or financial institutions against export-related risks; and
- *working capital guarantees* of short-term loans to U.S. exporters.

Some deals may use underwriting techniques such as project, structured, and supply chain finance.

Specific programs and initiatives include:

- *China and Transformational Exports Program* (CTEP), established in the 2019 reauthorization, which aims to: (1) counter export subsidies and finance provided by the People's Republic of China (PRC, or China), or other designated countries; or (2) advance U.S. comparative leadership with respect to the PRC, or support U.S. innovation, employment, or technological standards in statutory "transformational" export areas (e.g., artificial intelligence, 5G, renewable energy, semiconductors).
- *Make More in America* (MMIA), approved by the Board in 2022, which provides financing for "exported-oriented" domestic manufacturing projects that also meet other criteria, as part of Biden Administration efforts to strengthen U.S. supply chains. While open to all sectors, MMIA prioritizes transformational exports, small business, and environmentally beneficial projects.

Statutory and Policy Requirements. Bank financing may be extended only where there is a "reasonable assurance of repayment" and must supplement, not compete with, private capital. The Bank must be "fully competitive" with foreign ECA rates, terms, and other conditions. It must consider a proposed transaction's potential economic impact to U.S. industry and its environmental impact. It also has U.S. flag shipping and other requirements.

The Bank, which views the U.S. content in an export contract to be a proxy for U.S. jobs supported, reduces its level of support based on the foreign content in an export contract. It has a CTEP-specific content policy for Bank financing at a lower domestic content threshold.

Per sector-specific statutory mandates, Ex-Im Bank must:

- make available not less than 30% of its total financing authority each year to support *small business exports*;
- make available not less than 5% of its total financing authority each year to support *renewable energy, energy efficiency, and energy storage technology exports*; and
- aim to reserve up to 20% of its total financing authority for support pursuant to *CTEP*.

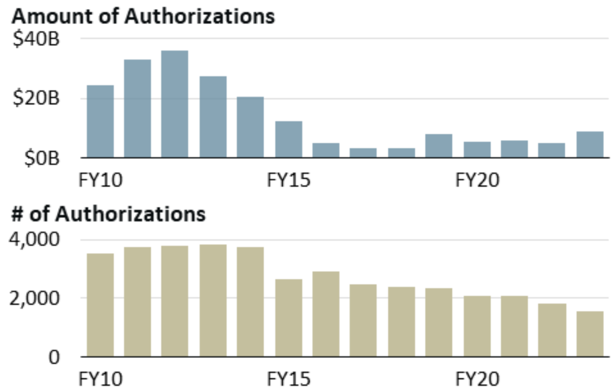
It also must support *environmentally beneficial exports* and *exports to sub-Saharan Africa* (no percentage requirement).

Funding. Ex-Im Bank's revenues include interest, risk premia, and other fees charged for its support. Revenues acquired in excess of forecasted losses are recorded as offsetting collections. The Bank reports contributing to the Treasury, since 1992, a net of $9.0 billion after covering expenses, loan-loss reserves, and administrative costs. (This is on a cash basis, and different from the amount calculated on a budgetary basis.) Offsetting collections did not fully cover costs in FY2018-FY2023. For FY2023 (P.L. 117-

328), the Bank had a $125.0 million limit for administrative expenses, $15.0 million for programs, and $7.5 million for its Inspector General (IG). The FY2024 budget request has a $136.3 million limit for administrative expenses; $31.0 million for programs, and $8.9 million for the IG.

Activity. For FY2023, the Bank authorized $8.8 billion (see **Figure 1**), to support some $10.6 billion of U.S. exports. As a share of total authorizations, small business comprised 23.0% by dollar amount and 87.2% by number; and renewable energy comprised 10.4% and CTEP comprised 27.8%, both by dollar amount. (A transaction can support multiple mandates.) A Board quorum lapse (July 2015 to May 2019) previously constrained Bank financing.

Figure 1. Ex-Im Bank Authorizations, FY2010-FY2023



Source: CRS, based on data from Ex-Im Bank annual reports.
Note: FY2023 authorization number estimated using other data.

Risk Management. The Bank monitors credit and other transaction risks, reserves against losses, and reports its default rate quarterly. If its default rate reaches 2%, it faces an immediate lending cap freeze. At the end of FY2023, the Bank had loss reserves of $2.3 billion (6.7% of exposure), and a default rate of 0.983%. The FY2024 budget request proposes a temporary increase of the default rate cap from 2% to 4% to give the Bank more flexibility to compensate for possible portfolio effects from current global economic and political issues and support U.S. competitiveness.

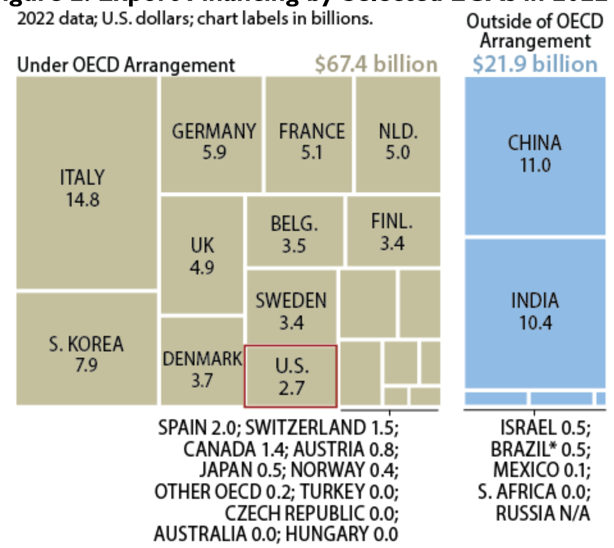
Global Rules and Activity. The Bank abides by the Organisation for Economic Co-operation and Development (OECD) Arrangement on Officially Supported Export Credits, first established in 1978 to ensure a level playing field for exporter competition. The OECD Arrangement applies to ECA financing with repayment terms of two years or more. It sets limits on financing terms and conditions, and includes provisions on transparency and tied aid (concessional financing linked to procurement from the donor country). Per the World Trade Organization (WTO), Arrangement-compliant export credit practices are not deemed prohibited export subsidies.

Differences among ECAs' programs and policies may enhance their competitiveness if they afford ECAs greater implementation flexibility. For example, many ECAs have eased or removed domestic content requirements, partly because of more globalized input sourcing. Many U.S. exporters, while lauding the Bank's programs and policies in other respects, also view its default rate cap and foreign content approach as key competitiveness barriers. Policy changes may raise competing stakeholder interests (e.g., debate over the impact of easing content policies on U.S. exports and jobs supported).

Unregulated ECA financing has grown as non-OECD countries operate ECAs and OECD members provide financing outside of the OECD rules. China's ECA activity raises particular concerns due to its purported size and scope, financing tactics, limited transparency, and operation outside of OECD rules. An effort among the United States, the PRC, and others to develop new export credit rules halted in 2020 over differences (e.g., transparency).

In 2022, official medium- and long-term export credit financing rose globally by 26% from 2021. The PRC remained dominant, but for the first time since 2012, it was not the largest ECA financing provider (**Figure 2**).

Figure 2. Export Financing by Selected ECAs in 2022



Source: Ex-Im Bank, *2022 Competitiveness Report*, June 2023.
Note: Data are for new medium- and long-term official export credit financing, and subject to analytic assumptions and other limitations.
*Brazil abides by the Arrangement's Aircraft Sector Understanding.

Policy Debate and Issues for Congress

Ex-Im Bank is subject to policy debate. Supporters argue that it fills gaps in private-sector financing and helps U.S. firms compete against foreign ECA-backed firms, while managing risks and advancing U.S. policy goals. Critics argue that it crowds out the private sector, picks winners and losers, is corporate welfare, and poses taxpayer risks.

In the 118th Congress, some bills would advance Bank support for specific purposes (e.g., critical minerals and energy supply chains in S. 458 and S. 2226 as engrossed in the Senate [but not in the final law, P.L. 118-31]; for CTEP, add nuclear energy and ease default rate-related limits, S. 1928) or further restrict Bank support (e.g., for Iran, H.R. 5921). Looking forward, Congress could assess:

- the Bank's competitiveness in supporting U.S. exports, balanced with its risk management practices, in general and as a potential reauthorization debate nears;
- the effectiveness of the relatively new CTEP and MMIA, the Bank's support for other export focuses, and trade-offs to potential changes to focus area mandates;
- options to address "unfair" competition from foreign ECAs under existing rules and potential new tools; and
- the Bank's coordination with other U.S. trade financing and promotion agencies and with foreign ECAs.

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