GAO Highlights

Highlights of GAO-13-620, a report to congressional committees

May 2013

EXPORT-IMPORT BANK

Additional Analysis and Information Could Better Inform Congress on Exposure, Risk, and Resources

Why GAO Did This Study

Ex-Im helps U.S. firms export goods and services by providing a range of financial products. Following the 2007-2009 financial crisis, increased demand resulted in rapid increases in Ex-Im's portfolio and exposure. The Export-Import Bank Reauthorization Act of 2012 reauthorized Ex-Im through fiscal year 2014 and, as a condition of raising Ex-Im's exposure limit in 2013, required Ex-Im to prepare a report with a business plan and analyses of key operational elements. The act also directed GAO to analyze the Business Plan. This report discusses the extent to which Ex-Im's Business Plan and analyses (1) justify bank exposure limits; (2) evaluate the risk of loss associated with the increased exposure limit, changing composition of exposure, and compliance with congressional mandates; and (3) analyze the adequacy of Ex-Im resources to manage authorizations and comply with congressional mandates. GAO reviewed Ex-Im's Business Plan, analyses, and other reports, and interviewed Ex-Im officials.

What GAO Recommends

Ex-Im should (1) adjust its forecasting model based on previous experience, (2) assess and report the sensitivity of the exposure forecast model to key assumptions and estimates, (3) routinely report the financial performance of subportfolios supporting congressional mandates, and (4) provide Congress with additional information on the resources associated with meeting mandated targets. Ex-Im concurred with our recommendations.

View GAO-13-620. For more information, contact Lawrance L. Evans, Jr. at (202) 512-4802 or EvansL@gao.gov.

What GAO Found

While the Export-Import Bank (Ex-Im) Business Plan reported that Ex-Im's exposure limits were appropriate, the forecasting process used to reach this conclusion has weaknesses. Congress increased the Ex-Im exposure limit—the limit on Ex-Im's total aggregate outstanding amount of financing—to $120 billion in 2012, with provisions for additional increases to $130 billion in 2013 and $140 billion in 2014. Although Ex-Im's forecast model is sensitive to key assumptions, GAO found that Ex-Im did not reassess these assumptions to reflect changing conditions or conduct sensitivity analyses to assess and report the range of potential outcomes. GAO used historical data in lieu of these assumptions and found that Ex-Im's forecast of exposure could be higher than the limit set by Congress for 2014. GAO's cost guidance calls for agencies' assumptions and forecasts to be supported by historical data and experience, and a sensitivity analysis, which can assess the effect of changes in assumptions. Because Ex-Im has not taken these steps, the reliability of its forecasts is diminished. This is of particular concern because Ex-Im projects that its outstanding financing in the future will be closer to its exposure limit than it has been historically. Consequently, any forecast errors could result in the bank having to take actions, such as delaying financing for creditworthy projects, to avoid exceeding its limit.

The Business Plan provided limited analysis of Ex-Im's risk of loss. First, Ex-Im did not provide some forecast data because of pending Office of Management and Budget (OMB) approval of key analyses. For example, Ex-Im did not include conclusions on Ex-Im's overall risk of loss and risk by industry. Second, Ex-Im included only limited analysis to support its conclusions that changes in its portfolio—including subportfolios of transactions supporting congressional mandates for small business, sub-Saharan Africa, and renewable energy—would not affect its risk of loss. In addition, Ex-Im has not routinely analyzed or reported the risk rating and default rate of subportfolios that respond to these mandates, although their performance may differ from the overall portfolio. OMB and banking regulator guidance call for entities, including federal agencies, to be able to provide comprehensive information by subportfolio, product, and other financial performance metrics. By not routinely analyzing and reporting financial performance for mandated transactions, Ex-Im decreases its ability to evaluate such performance at the subportfolio level and inform Congress of related risks.

The Business Plan provided limited analysis of the adequacy of Ex-Im's resources and ability to meet congressional mandates. From 2008 through 2012, Ex-Im's administrative resources remained relatively flat as its portfolio grew. Ex-Im does not expect to meet its small business or renewable energy mandate targets in 2013 or 2014. These mandate targets are fixed to a percentage of the dollar value of Ex-Im's total authorizations. Although Ex-Im has dedicated resources to support these mandates, as Ex-Im authorizations have grown, the growth in mandate targets has outpaced Ex-Im's increasing support. Ex-Im projects that the targets will continue to outpace its growth in support through 2014. Mandate transactions also are resource-intensive and Ex-Im's ability to expand its renewable energy portfolio may be constrained by the size of the overall market. Communicating the effect of percentage-based targets on Ex-Im's resources and ability to achieve its goals to external stakeholders, such as Congress, is consistent with federal internal control standards.