



Review of EXIM's China and Transformational Exports Program



OIG-SR-24-02
August 8, 2024

Office of Inspector General
Export-Import Bank of the United States



MEMORANDUM

To: Charles Barnett
"Acting" Senior Vice President, Office of Program on China and Transformational Exports

From: Michael T. Ryan
Assistant Inspector General for Special Reviews and Communications

Subject: Review of EXIM's China and Transformational Exports Program (Report No. OIG-SR-24-02)

Date: August 8, 2024

This final report presents the results of our review of the Export-Import Bank of the United States' (EXIM) China and Transformational Exports Program (CTEP). The objectives of the review were to (1) assess the extent to which EXIM has designed CTEP, to include the establishment of policies and other authoritative documentation that defines the various functions, roles, and responsibilities for program management and implementation; and (2) assess CTEP's effectiveness in implementing established goals and objectives, to include determining the extent to which CTEP has developed a framework for assessing goals and objectives as well as utilizing indicators and other mechanisms to track progress.

This report contains five recommendations. We consider management's proposed actions to be responsive. The recommendations will be closed upon completion and verification of the proposed actions.

We appreciate the cooperation and courtesies provided to this office throughout this review. If you have questions, please contact me at 202-565-3963 or at michael.ryan@exim.gov.



**Office of Inspector General
Export-Import Bank of the United States**

OIG-SR-24-02

What OIG Reviewed

The Office of Inspector General (OIG) reviewed the Export-Import Bank of the United States' (EXIM) China and Transformational Exports Program (CTEP). The objectives of this review were to (1) assess the extent to which EXIM has designed CTEP, to include the establishment of policies and other authoritative documentation that defines the various functions, roles, and responsibilities for program management and implementation; and (2) assess CTEP's effectiveness in implementing established goals and objectives, to include determining the extent to which CTEP has developed a framework for assessing goals and objectives as well as utilizing indicators and other mechanisms to track progress.

What OIG Recommends

OIG issued five recommendations to strengthen internal controls related to the design and implementation of the CTEP program.

In its comments on the draft report, EXIM concurred with all five recommendations. OIG considers all five recommendations resolved. EXIM's response to each recommendation, and OIG's reply, can be found in the Recommendations section of this report. EXIM's formal response is reprinted in its entirety in [Appendix B](#).

EXECUTIVE SUMMARY

Review of the Export-Import Bank of the United States' China and Transformational Exports Program

What OIG found

In EXIM's 2019 reauthorization, Congress mandated the agency to establish CTEP. The program's intent is to use EXIM's financing tools and authorities to (1) neutralize the People's Republic of China's export subsidies for competing goods and services and (2) advance the United States' leadership and innovation in 10 transformational export areas. The mandate requires EXIM to establish a goal to reserve at least 20 percent of its total financing authority to support CTEP.

OIG found that EXIM established a dedicated program office in 2020 to implement the CTEP mandate; however, EXIM did not develop agency policies or otherwise define the roles and responsibilities for program implementation. Additionally, OIG found that EXIM did not establish a framework for implementing CTEP's content flexibilities, as required by EXIM's Board of Directors in December 2020. OIG identified several challenges that may directly affect EXIM's design of CTEP, including a lack of key agency decisions regarding program implementation, differing views about congressional intent, and insufficient resources. Unclear direction creates a risk of confusion that impedes program effectiveness, accountability, and implementation.

In addition, OIG found that EXIM has not established a clear performance management framework for CTEP. Although EXIM tracks the total value of CTEP transactions and collects anecdotal information about the impact of the program, OIG found that the lack of strategic design led to performance management gaps. Until EXIM establishes a clear performance management framework, the agency may not be able to effectively monitor and report CTEP's performance in neutralizing China's export financing and advancing U.S. interests in the transformational export areas. A clear framework could help EXIM to identify ineffectiveness, ensure strategic alignment, and assess where EXIM's financing tools best advance the mandate.

CONTENTS

OBJECTIVES	1
BACKGROUND	1
About EXIM	1
Global Competition with the People’s Republic of China	1
China and Transformational Exports Program.....	2
FINDINGS	5
Finding 1: EXIM Has Not Strategically Designed CTEP	5
Finding 2: EXIM Has Not Established a Clear CTEP Performance Management Framework to Measure Progress Against Goals	9
RECOMMENDATIONS.....	12
APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY.....	14
Objectives and Scope	14
Methodology.....	14
APPENDIX B: MANAGEMENT RESPONSE.....	15
ABBREVIATIONS	19
OIG TEAM MEMBERS	20

OBJECTIVES

The Office of Inspector General (OIG) reviewed the Export-Import Bank of the United States' (EXIM) China and Transformational Exports Program (CTEP). The objectives of this review were to:

1. Assess the extent to which EXIM has designed CTEP, to include the establishment of policies and other authoritative documentation that defines the various functions, roles, and responsibilities for program management and implementation.
2. Assess CTEP's effectiveness in implementing established goals and objectives, to include determining the extent to which CTEP has developed a framework for assessing goals and objectives as well as utilizing indicators and other mechanisms to track progress.

For more information about the scope and methodology of this review, see [Appendix A](#).

BACKGROUND

About EXIM

EXIM is a wholly owned government corporation, established in 1934 through an Executive Order and subsequently made an independent agency through congressional charter in 1945. As the official export credit agency (ECA) of the United States, EXIM's mission is to support American jobs by facilitating the export of U.S. goods and services through financing and insurance programs. EXIM supports U.S. exports by providing export financing in cases where the private sector is unable or unwilling to provide financing or where such support is necessary for U.S. exporters to remain competitive. EXIM's Charter requires reasonable assurance of repayment for the transactions that EXIM authorizes and close monitoring of credit and other risks in its portfolio. In pursuit of its mission of supporting U.S. jobs, EXIM offers four financial products: direct loans, loan guarantees, working capital guarantees, and export credit insurance. EXIM's obligations carry the full faith and credit of the U.S. Government.

Strategic Competition with the People's Republic of China

According to EXIM's annual competitiveness reports, the People's Republic of China (PRC) has two official export credit agencies.¹ The Export Import Bank of China (China EXIM) offers loan, guarantee, and bond products, and the China Export and Credit Insurance Corporation (Sinosure) offers insurance products.² EXIM also reported that the PRC's ECAs are typically less

¹ EXIM [Report to Congress on Global Export Credit Competition](#) (June 2023), and EXIM [Report to Congress on Global Export Credit Competition](#) (June 2024).

² EXIM also reports that other state or quasi-state owned Chinese financial institutions provide trade and export-related support. China does not deem these institutions official export credit agencies, and transactions from these institutions are not included in EXIM's competitiveness reporting.

transparent about their lending products and volumes than other ECAs. Further, their loan agreements often include non-disclosure covenants that allow nullification, should the borrower make the loan's terms and conditions public. EXIM reported that the PRC's ECAs authorized \$15.3 billion in medium-and long-term financing in Calendar Year (CY) 2023, and approximately \$11 billion in both CYs 2021 and 2022.³ Comparatively, the United States provided \$4.7 billion in medium-and long-term financing in CY 2023, \$2.7 billion in CY 2022, and \$2.2 billion in CY 2021.

In 2015, the PRC launched the Belt and Road Initiative (BRI), a combination of construction and financing projects for roads, airports, ports, and energy development across greater Asia. Since then, the initiative has expanded, facilitating PRC global investment worth upwards of \$1 trillion in over 140 countries across Africa, Oceania, and Latin America.⁴ The PRC has tapped into these markets by offering substantial financing with minimal requirements for borrowers, working bilaterally, and promising to deliver projects quickly.⁵

China and Transformational Exports Program

In accordance with the Further Consolidated Appropriations Act of 2020 (Act), the Board of Directors (Board) established CTEP on December 20, 2019.⁶ CTEP's purpose is to support, "to the extent practicable," financing on terms and conditions that are fully competitive with the rates, terms, and other conditions established by the PRC. The Act requires EXIM to establish a goal to reserve at least 20 percent of the agency's total financing authority (i.e., lending cap) to support the program. The program seeks to directly neutralize export subsidies for competing goods and services financed by official export credit and aid provided by the PRC (direct competition). The program also aims to advance U.S. leadership or support U.S. innovation, employment, and technological standards through direct exports, and associated services necessary for use, in any of the following transformational export areas (TEAs):

- Artificial Intelligence
- Biomedical Sciences
- Biotechnology
- Emerging Financial Technologies
- High-Performance Computing
- Quantum Computing
- Renewable Energy, Energy Efficiency, and Energy Storage
- Semiconductor and Semiconductor Machinery Manufacturing
- Water Treatment and Sanitation
- Wireless Communications Equipment

³ EXIM [Report to Congress on Global Export Credit Competition](#) (June 2023).

⁴ Center for Strategic and International Studies, [Enabling a Better Offer: How Does the West Counter Belt and Road?](#) (May 16, 2024).

⁵ Ibid.

⁶ See [Pub. L. No 116-94, Division I, Section 402](#) (Dec. 20, 2019).

In 2020, EXIM’s Board approved the Content Policy Flexibilities for Transformational Exports Areas Memorandum (Content Policy), establishing greater flexibilities for transactions supporting TEAs.⁷ Specifically, the Content Policy allows EXIM to support TEA transactions that contain at least 51 percent U.S. content and gives the Board discretion to approve transactions below this threshold if specific requirements are met.^{8, 9} Additionally, the Content Policy established a cross-agency working group, led by EXIM’s Office of Policy Analysis and International Relations (OPAIR). The working group was tasked to develop a detailed implementation framework and criteria to operationalize the principles of the Content Policy.

Subsequently, in 2023, EXIM’s Board approved a clarification for transactions supporting 5G wireless technology.¹⁰ This clarification allows EXIM to support the purchase of 5G-related goods and services shipped or invoiced from any country (where EXIM support is not prohibited) to facilitate U.S. exports.

Between December 2019 and May 2024, EXIM authorized a total of 296 CTEP transactions, with a total value of \$3.6 billion. In addition to supporting the CTEP mandate, some of these EXIM transactions supported one or more of EXIM’s initiatives or mandates.¹¹ For example, under CTEP, EXIM approved a transaction to build a solar farm in Angola, totaling \$907 million. This transaction accounts for 37 percent of the total value of CTEP transactions in Fiscal Year (FY) 2023. In addition, EXIM reported the Angola solar farm transaction toward achieving its mandates to expand its work in sub-Saharan Africa as well as to promote environmentally beneficial goods and services. In another example, EXIM approved a \$169 million direct loan to finance the expansion of a campus that manufactures all electric-powered aircraft. According to EXIM, this deal supports its efforts for CTEP and the Make More in America Initiative (MMIA).¹²

Figure 1, below, details significant EXIM milestones related to the implementation of EXIM’s CTEP mandate.

⁷ Content Policy Flexibilities for Transformational Exports Areas Memorandum (December 17, 2020).

⁸ U.S. content represents goods and services that are produced or originate in the United States.

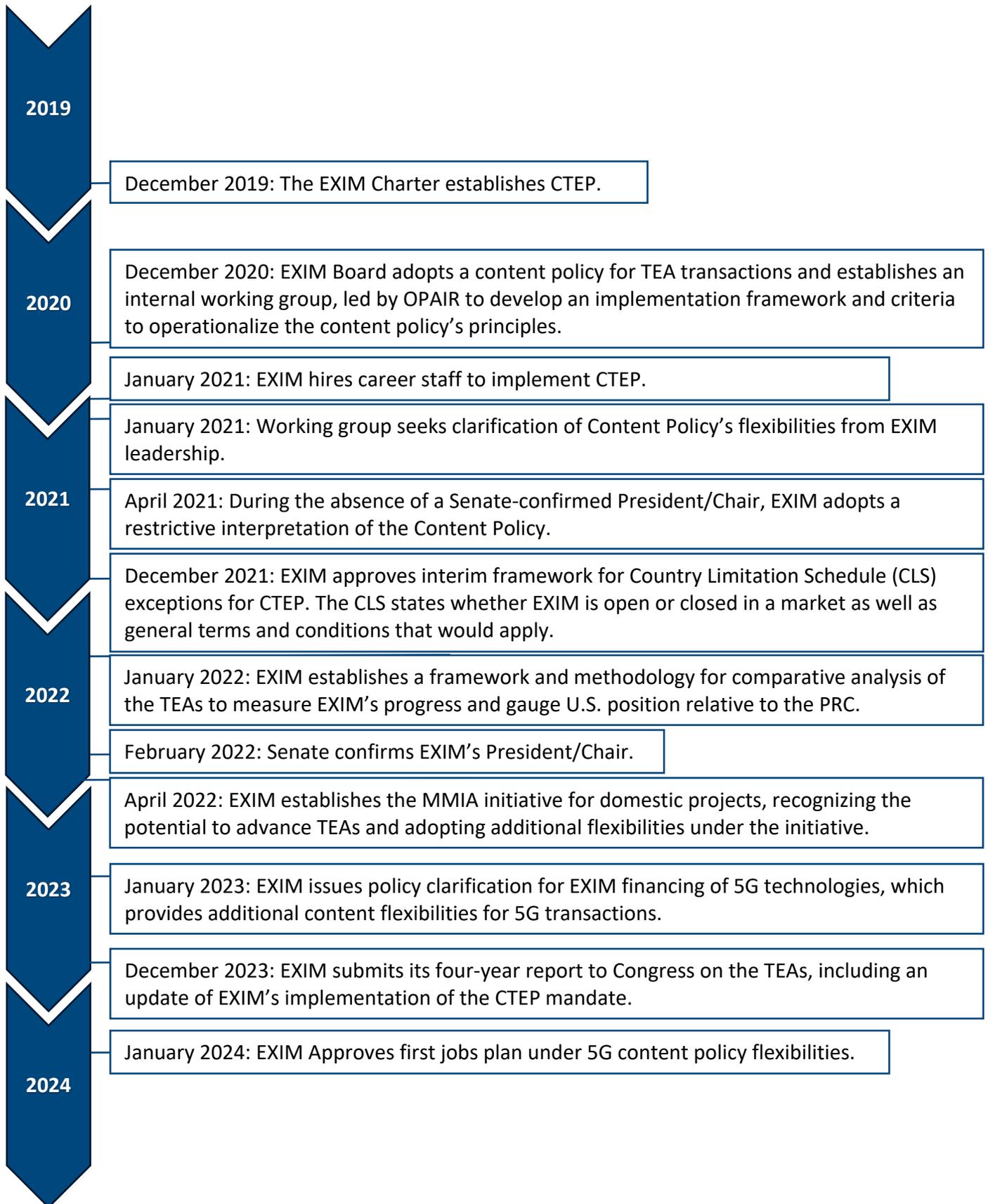
⁹ To meet EXIM’s requirements for a lower content threshold, the transaction must advance the comparative leadership of the United States with respect to China in the export area. The U.S. exporter is also required to provide an actionable three-to-five-year plan that would expand its U.S.-based jobs. Additionally, EXIM will assess justification of the transaction’s lower percentage threshold by applying additional factors in furtherance of the program.

¹⁰ The Board was not unanimous in its approval of the 5G clarification; three Board members voted in favor of approving and one voted against.

¹¹ Other EXIM initiatives and mandates include the [Make More in America Initiative](#), the [Sub-Saharan Africa Mandate](#), the [Small Business Mandate](#), and the [Environmentally Beneficial Goods and Services Mandate](#).

¹² According to EXIM, the Make More in America Initiative, is a tool that will unlock financing for American manufacturing, and “spur manufacturing in the United States, support American jobs and boost America’s ability to compete with countries like China.”

Figure 1: Timeline of CTEP's Significant Milestones



FINDINGS

Finding 1: EXIM Has Not Strategically Designed CTEP

OIG found that EXIM established a dedicated program office to implement the CTEP mandate; however, EXIM did not establish agency-wide policies that defined the roles and responsibilities for program implementation. Additionally, OIG found that EXIM did not establish a framework for implementing CTEP's Content Policy, as required by EXIM's Board in December 2020.

A 2019 report from the U.S. Government Accountability Office (GAO) identifies the delineation of roles and responsibilities for decision-making and accountability as a key practice for governance structures.¹³ Similarly, the *Performance Management Playbook*, is a resource available to federal agencies seeking to identify sound program design as a component of performance management and program administration. According to the *Playbook*, agency policies should provide clear guidance on the performance management roles and responsibilities within the organization. Further, a program's design should align with program goals and objectives and congressional intent. Ideally, program design takes place before an agency drafts related projects. This enables leadership and employees to codify program goals, objectives, and intended results.¹⁴

Moreover, federal internal control standards state that management should develop an organizational structure, with an understanding of overall responsibilities.¹⁵ Responsibilities should then be assigned to enable the organization to operate in an efficient and effective manner, comply with applicable laws and regulations, and reliably report quality information.

Through our review, OIG identified several challenges that may directly affect EXIM's design and implementation of CTEP:

- ***Differing Views by EXIM Officials Regarding Congressional Intent:*** EXIM officials stated that EXIM's Charter did not clearly define congressional expectations to implement CTEP. For example, one official stated EXIM's Charter mandates that EXIM establish CTEP but did not assign additional funds for the program's implementation. In another example, an EXIM official stated that the mandate was unclear on how CTEP should be prioritized against EXIM's other priorities—such as U.S. job creation. Further, the EXIM's Council on China Competition found that when Congress first established CTEP, the

¹³ GAO report to congressional committee, [Improving Program Management: Key Actions Taken, but Further Efforts Needed to Strengthen Standards, Expand Reviews, and Address High-Risk Areas](#) (December 2019).

¹⁴ [Managing for Results: The Performance Management Playbook for Federal Awarding Agencies](#) (April 2020), is a cross-agency product prepared by the Chief Financial Officers Council, the Performance Improvement Council, and the President's Management Agenda Cross Agency Priority and Goal, Result-Oriented Accountability for Grants, Performance Workgroup.

¹⁵ GAO [Standards for Internal Control in the Federal Government](#) (September 10, 2014).

program was not provided with the flexibilities, resources, senior agency leadership, and expertise to implement TEA transactions in a “relevant and scaled manner.”¹⁶

- ***Unclear Risk Appetite for CTEP Transactions:*** The Charter mandates that CTEP compete with rates, terms, and other conditions established by the PRC, “to the extent practicable.” However, the Charter does not clarify whether EXIM should assume additional risk when extending competitive loans or guarantees. For example, EXIM officials identified that transactions made in support of the CTEP mandate must abide by the two percent default rate cap. As a result, EXIM officials expressed conflicting interpretations of how much risk EXIM should accept when supporting CTEP-related transactions and further stated that EXIM would be unable to support transactions that could jeopardize the default rate cap.
- ***Limited Capacity in Some Transformational Export Areas:*** EXIM officials expressed doubts in EXIM’s ability to significantly impact all TEAs, because certain TEAs do not lend themselves to the financing tools available to EXIM. For example, OIG found that CTEP officials made progress competing with China in the 5G and critical minerals sectors but had not developed a strategy to address the other TEAs. Similarly, in its report to Congress on CTEP implementation, EXIM reported that 88 percent (\$1.5 billion) of the TEA authorizations between FY 2020 and FY 2023 were categorized as either “renewable energy” or “wireless communications.” Less than 12 percent (\$193 million) were distributed between the remaining eight TEAs.
- ***Content Policy Limits Ability to Pursue Some Transactions:*** EXIM officials reported that U.S. Government officials’ differing perspectives of how EXIM should implement content policy flexibilities presented challenges in the types of transactions EXIM could pursue under the mandate. Specifically, EXIM’s mission is to support U.S. jobs through exports. EXIM uses U.S. content as a “proxy” of support for U.S. jobs—meaning that more content equates to more support to U.S. jobs while less content results in reduced support. CTEP’s Content Policy flexibilities allow for reduced U.S. content requirements for transactions that support one of the 10 TEAs.¹⁷ However, EXIM and other U.S. Government officials noted different opinions regarding the extent to which EXIM should utilize CTEP’s current flexibilities or allow for additional flexibilities. For example, these officials indicated that EXIM was able to approve additional content flexibilities for 5G-related transactions due to significant U.S. Government support for such transactions, including support from the Secretary of State and the Under Secretary of Defense for Policy. By contrast, these officials noted that some U.S. Government stakeholders were less willing to support greater content flexibilities for other TEAs.

¹⁶ EXIM [Report to the U.S. Congress on Global Export Credit Competition](#) (June 2024).

¹⁷ EXIM domestic content policy requires that “the content of traded products is at least 50 percent U.S. based for short-term programs and at least 85 percent for medium and long-term programs to receive maximum financing.”

In addition to the agency’s decision-making related to content requirements, program participants perceived the Content Policy as an impediment to pursuing EXIM financing. EXIM’s 2024 annual competitiveness report indicated that exporters and lenders may hold a negative view of EXIM’s content requirements. For example, although CTEP’s flexibilities improved EXIM’s content requirements, exporters and lenders still viewed EXIM as the “worst” ECA.¹⁸ Further, these exporters and lenders believed that, although the CTEP Content Policy allows for transactions below 51 percent U.S. content, EXIM would not seek Board approval of such transactions.¹⁹

- **Staff Attrition Hindered CTEP Operations:** OIG also found that staffing challenges within EXIM’s CTEP office contributed to CTEP’s lack of strategic design. When fully staffed, the CTEP office is managed by four full-time agency employees.²⁰ However, during this review, two of EXIM’s senior CTEP staff—the Senior Vice President (SVP) and an “Acting” SVP—departed the agency, reducing the program’s workforce by half.²¹ According to EXIM officials, CTEP did not have the capacity to accomplish all tasks currently assigned as well as address program design gaps.²² For example, EXIM relied on contractor support for comparative analysis of each TEA. EXIM officials indicated that the program benefited from such support, and CTEP would be unable to solely accomplish similar analysis with internal resources. In its most recent budget justification for FY 2025, EXIM identified CTEP implementation as a priority for use of EXIM’s funds but does not identify a specific amount of funds for the CTEP office.²³

OIG found that EXIM made attempts to design the CTEP program and find workarounds to the implementation challenges, described above. For example, the CTEP office drafted an implementation plan in March 2021. This draft plan detailed the program’s functions as well as the roles and responsibilities within the CTEP office, as well as its integration with other EXIM offices. However, according to EXIM officials, the implementation plan was never approved due to the absence of a Presidentially appointed, Senate-confirmed President and Chair of the agency.

Absent agency policy, the CTEP office took steps to define its internal roles and responsibilities. Specifically, the CTEP office’s SVP authored a transition memorandum before departing EXIM in March 2024. This transition memorandum, which was provided to OIG during the review, defined the SVP’s vision for the office’s internal roles and functions. However, OIG concluded

¹⁸ EXIM [Report to Congress on Global Export Credit Competition](#) (June 2024).

¹⁹ Ibid.

²⁰ In addition, CTEP has supplemented its workforce through contractor and intern support.

²¹ OIG on-going work has identified broader human capital challenges facing EXIM, including time-consuming hiring actions and extended vacancies in key positions.

²² According to CTEP’s internal documentation, CTEP personnel were responsible for key program functions, including operationalizing the mandate, growing EXIM’s portfolio, integrating with external stakeholders, and managing the program.

²³ EXIM [Fiscal Year 2025 Congressional Budget Justification](#) (undated).

that the transition memorandum was developed as guidance document for the next CTEP SVP and only applied to the program internally. As such, the memorandum lacked the authority to define the roles and responsibilities for implementing the CTEP mandate across EXIM.

Separately, the working group chartered under the 2020 Content Policy to develop a framework and criteria to implement the Content Policy, sought clarification regarding potential content flexibilities. For example, the working group sought guidance on whether the flexibilities allowed EXIM to finance goods shipped from foreign countries to foreign buyers (i.e., direct foreign content). In March 2021, EXIM's Acting Vice Chair issued interim guidance on the content policy and CTEP. When distributing this guidance to EXIM staff, he noted that the guidance implemented the "narrowest interpretation" of the content policy and did not authorize any additional flexibilities, such as direct foreign content. EXIM officials stated that EXIM's Board was also reluctant to approve additional content flexibilities due to the absence of a Senate-confirmed President and Chair.

EXIM officials stated that, in the absence of broader Content Policy changes and direction, the working group ceased operations in the third quarter of FY 2021 without establishing a framework and criteria for the Content Policy's implementation. OIG notes that while EXIM has had a Senate-confirmed President and Chair since February 2022, and has a full Board, broader Content Policy changes have not been made. Instead, EXIM officials decided to focus on clarifying guidance for specific TEAs that have direct PRC competition. For example, according to EXIM officials, CTEP started first on clarifying 5G-related content flexibilities and has since begun assessing flexibilities for critical mineral exports, which supports the energy storage TEA.

OIG concluded that CTEP faces limitations in program implementation due to the need for key policy decisions and analysis of the program's staffing needs. The lack of clearly delineated roles and responsibilities could impede program improvements and accountability for maintaining standards. Clear roles and responsibilities across EXIM are particularly important during periods of transition. Further, ensuring that the CTEP office is sufficiently staffed could support program innovation and effectiveness as well as ensure an appropriate return on investment.

Recommendations

Recommendation 1: EXIM's Office of the Chair, in coordination with the China and Transformational Exports Program (CTEP) office, should establish policy and procedures that clearly define the authorities, roles, and responsibilities across EXIM for CTEP implementation.

Recommendation 2: EXIM's Office of the Chair should provide direction to the China and Transformational Exports Program office and the Office of Policy and International Relations on resuming development of a framework to implement the Content Policy Flexibility for Transformational Exports Memorandum, as previously directed by the Board of Directors in December 2020.

Recommendation 3: EXIM's China and Transformational Exports Program office, in coordination with the Office of the Chair, should review the functions, roles, and

responsibilities of program officials and determine whether the program is sufficiently staffed and whether obstacles exist for recruitment and retention.

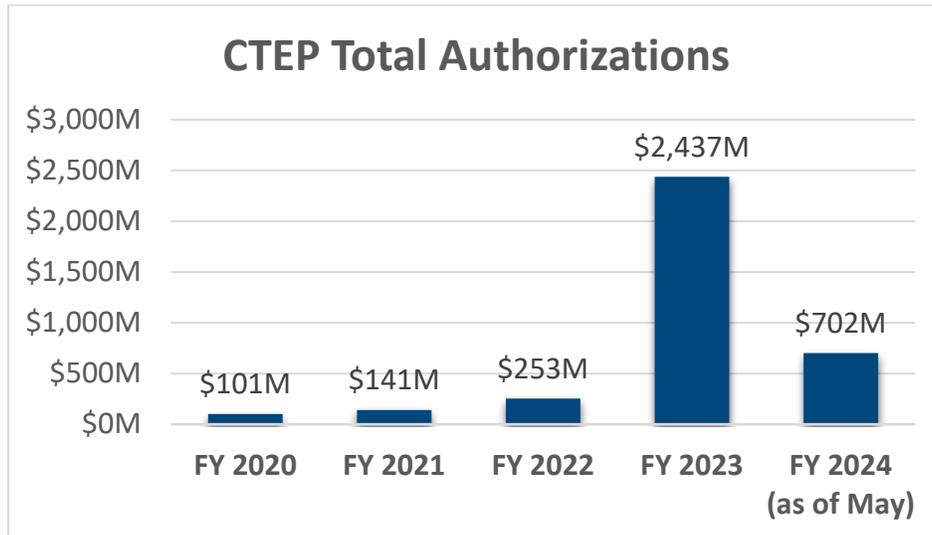
Finding 2: EXIM Has Not Established a Clear CTEP Performance Management Framework to Measure Progress Against Goals

OIG found that, outside of the goals established in EXIM’s Charter and Strategic Plan, EXIM has not established any additional goals or objectives that align with CTEP’s intent.²⁴ Specifically, OIG found that CTEP monitors its progress towards achieving EXIM’s 20 percent requirement by tracking potential transactions from initial interest through completion. However, CTEP has not established supplemental indicators—such as performance or process evaluation indicators—or other mechanisms to monitor the program’s performance or show the program is achieving its intended purpose.

In addition, OIG found differing opinions and confusion among EXIM staff regarding the program’s goals. For example, some EXIM officials noted that EXIM’s Charter states that EXIM must only reserve 20 percent of its total funding to meet the Charter’s goal; however, others believed that the program would meet the goal’s intent—informally—if CTEP transactions account for at least 20 percent of EXIM’s total lending each Fiscal Year. OIG found that, when compared to previous years, CTEP made considerable progress in FY 2023 to meet its informal goal of at least 20 percent of total EXIM’s lending being in support of the CTEP mandate. Specifically, for FY 2023, CTEP authorizations totaled \$2.4 billion, achieving 28 percent of EXIM’s total transactions for the Fiscal Year. Further, as of June 2024, CTEP transactions for the year were on track to meet this informal goal for FY 2024. Figure 2, below, details CTEP transactions since the program’s inception.

²⁴ According to the [EXIM Strategic Plan for FY 2022–2026](#) (April 2022), Objective 2.1 aims to “leverage market data on Chinese malign influence to advance additional deal flexibilities.” EXIM established a target outcome to “increase the total amount of authorizations meeting China and Transformational Export Program criteria to \$450 million by FY 2026.”

Figure 2: CTEP Transactions



Source: OIG presentation of CTEP transaction data.

While EXIM has made progress in increasing its CTEP transactions, using a financial target as the only metric of success does not allow EXIM to fully assess CTEP’s progress in neutralizing the PRC’s export subsidies for competing goods and services or advancing U.S. leadership and innovation in the 10 TEAs. Additional goals and indicators would allow CTEP to gauge its ability to compete against PRC financing as well as assess whether EXIM’s tools are appropriate in supporting all TEAs. In January 2022, CTEP staff drafted potential output indicators when developing the baseline methodology for the contractor’s comparative analysis of the TEAs, such as measuring CTEP transactions that support small businesses. However, no additional formal indicators were developed as a result of that effort beyond the 20 percent goal.

According to the Office of Management and Budget (OMB), performance management includes the use of goals, measurement, evaluation, analysis, and data-driven reviews to improve results of programs and the effectiveness and efficiency of agency operations.²⁵ OMB recommends that goals and indicators reflect the problems and opportunities an agency seeks to advance its mission, as well as the factors that could affect outcomes, capacity, and priorities. Goals that measure performance should have a specific timeframe and be measurable or quantitative. Indicators can be standalone or linked to performance goals and are used to assess performance, external factors, efficiency, use of resources, process, outcomes, and other factors. According to the Performance Improvement Council, measures (indicators and milestones) gauge progress as well as the pace needed to meet the target within an established timeframe.²⁶ The Council recommends that programs collect appropriate data and incorporate

²⁵ OMB Circular No. A-11, [Preparation, Submission, and Execution of the Budget](#) (August 2023).

²⁶ Performance Improvement Council, [Goal Playbook](#) (undated).

periodic data-driven reviews to adjust strategies, resources, or actions. As an example, potential indicators for the CTEP program could include:

- **Performance Indicator:** Number of transactions supporting the wireless communications TEA for FY 2025-2026—which could inform EXIM of the feasibility or progress in advancing a specific TEA.
- **Output Indicator:** Percent of transactions that are approved using CTEP’s Content Policy flexibilities—which could inform EXIM of the overall effectiveness of current content flexibilities and whether adjustments are necessary.
- **Contextual Indicator:** Number of transactions not pursued due to unacceptable risk—which could inform EXIM of broader challenges in implementing CTEP and the level of risk the program should accept.

OIG found that the lack of strategic design discussed in Finding 1 led to gaps in CTEP’s performance management framework. According to an EXIM official, the program is still in the early stages of development and continues to “iterate as it matures;” this includes the development of the program goals and objectives. Additionally, in interviews with OIG, EXIM officials consistently indicated that the program’s goals were those established in EXIM’s Charter. These officials did not identify any additional goals or objectives.

Until EXIM defines CTEP’s goals and objectives and establishes appropriate indicators and milestones, EXIM may not be able to measure its performance against the mandate—other than specifically stating the quantitative results of CTEP’s transactions. As a result, CTEP will be unable to effectively monitor and report on the program’s performance, including identifying inefficiencies and ineffectiveness, ensuring alignment with EXIM’s overall strategy, and conveying where EXIM’s financial tools work best to support U.S. businesses to compete with the PRC and lead in the TEAs.

Recommendations

Recommendation 4: EXIM’s China and Transformational Exports Program office should establish a performance management framework, including measurable goals and indicators to assess program success and progress in achieving its intended purpose.

Recommendation 5: EXIM’s China and Transformational Exports Program (CTEP) office should assess how existing policies and practices may be adapted to maximize CTEP’s effectiveness and potential including whether the program has the necessary tools it requires to address Transformational Export Areas and then develop a plan to implement these policies.

RECOMMENDATIONS

OIG issued the following recommendations to EXIM. The agency's response to these recommendations can be found in Appendix B.

Recommendation 1: EXIM's Office of the Chair, in coordination with the China and Transformational Exports Program (CTEP) office, should establish policy and procedures that clearly define the authorities, roles, and responsibilities across EXIM for CTEP implementation.

Management Response: In its August 2, 2024, response, EXIM concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Office of the Chair has established policy and procedures that clearly define the authorities, roles, and responsibilities across EXIM for CTEP implementation.

Recommendation 2: EXIM's Office of the Chair should provide direction to the China and Transformational Exports Program office and the Office of Policy and International Relations on resuming development of a framework to implement the Content Policy Flexibility for Transformational Exports Memorandum, as previously directed by the Board of Directors in December 2020.

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Recommendation 3: EXIM's China and Transformational Exports Program office, in coordination with the Office of the Chair, should review the functions, roles, and responsibilities of program officials and determine whether the program is sufficiently staffed and whether obstacles exist for recruitment and retention.

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OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the China and Transformational Exports Program office has reviewed the functions, roles, and responsibilities of program officials and determined whether the program is sufficiently staffed and whether obstacles exist for recruitment and retention.

Recommendation 4: EXIM’s China and Transformational Exports Program office should establish a performance management framework, including measurable goals and indicators to assess program success and progress in achieving its intended purpose.

Management Response: In its August 2, 2024, response, EXIM concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the China and Transformational Exports Program office has established a performance management framework.

Recommendation 5: EXIM’s China and Transformational Exports Program (CTEP) office should assess how existing policies and practices may be adapted to maximize CTEP’s effectiveness and potential including whether the program has the necessary tools it requires to address Transformational Export Areas and then develop a plan to implement these policies.

Management Response: In its August 2, 2024, response, EXIM concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the China and Transformational Exports Program office has assessed how existing policies and practices may be adapted to maximize program effectiveness and potential and developed a plan.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

This review was conducted from April 2024 to June 2024, in accordance with the *Quality Standards for Inspection and Evaluation*, as issued in 2020 by the Council of the Inspectors General on Integrity and Efficiency.

Objectives and Scope

The Office of Inspector General (OIG) reviewed the Export-Import Bank of the United States' (EXIM) China and Transformational Exports Program (CTEP). The objectives of this review were to:

1. Assess the extent to which EXIM has designed CTEP, to include the establishment of policies and other authoritative documentation that defines the various functions, roles, and responsibilities for program management and implementation.
2. Assess CTEP's effectiveness in implementing established goals and objectives, to include determining the extent to which CTEP has developed a framework for assessing goals and objectives as well as utilizing indicators and other mechanisms to track progress.

The review covered the period of December 2019 to June 2024.

Methodology

OIG conducted portions of this engagement remotely and relied on audio- and video-conferencing tools in addition to in-person interviews with EXIM personnel and interagency personnel. OIG also reviewed pertinent records and reviewed the substance of this report and its findings and recommendations with offices, individuals, and organizations affected by the review. OIG used professional judgment and analyzed physical, documentary, and testimonial evidence to develop its findings, conclusions, and actionable recommendations.

APPENDIX B: MANAGEMENT RESPONSE



Helping American Businesses Win the Future

DATE: 02 August 2024

TO: The Honorable Parisa Salehi, Inspector General, Office of Inspector General

THROUGH: Ravi Singh, Acting Senior Vice President & Chief Financial Officer RAVI SINGH Digitally signed by RAVI SINGH
Date: 2024.08.02 17:39:22
-04:00

FROM: Charles Barnett, Acting Senior Vice President, China and Transformational Exports Program (CTEP) CHARLES BARNETT Digitally signed by CHARLES BARNETT
Date: 2024.08.02 17:33:26 -04:00

SUBJECT: EXIM Management Response to the draft Report
Review of EXIM's China and Transformational Exports Program (OIG-SR-24-02)
Dated 22 July 2024

Dear Inspector General Salehi:

Thank you for providing the Export-Import Bank of the United States (“EXIM” or “EXIM Bank”) management with the Office of Inspector General’s (“OIG”) *Review of EXIM's China and Transformational Exports Program (OIG-SR-24-02) Dated 22 July 2024* (the “Report”). EXIM’s leadership and management fully support the OIG’s work, which complements and enhances EXIM’s efforts to continually improve its processes. EXIM Bank continues to uphold our positive and collaborative relationship with the OIG.

EXIM Bank appreciates the OIG's report, “Review of EXIM's China and Transformational Exports Program (“CTEP”).” We value the OIG’s assessment and feedback of this mandated program, which was established by the United States Congress when reauthorizing EXIM in 2019. Your evaluation helps EXIM as we strive to maintain the highest standards in our ongoing implementation of the CTEP mandate, and we are grateful for your contributions to enhancing our practices.

EXIM has made significant progress in implementing and operationalizing the CTEP mandate. Since Congress mandated the program, EXIM achieved key milestones, including those highlighted below:

- In March 2021, the CTEP office implemented an operational document setting forth the background and strategic context behind the CTEP mandate, describing the roles and responsibilities of the CTEP office and how the office integrates within existing EXIM offices to perform four functions: (i) operationalize the mandate, (ii) grow the CTEP transactions portfolio, (iii) integrate EXIM’s CTEP efforts within the interagency, and (iv) manage the program.
- In August 2021, EXIM revamped the CTEP webpage to enhance the customer experience and improved functionality (e.g., Transformational Export Area content calculator, financing comparison chart).

- In December 2021, EXIM created a formal determination memo template for use on transactions going to the Board of Directors, to adjudicate CTEP determinations in support of associated transactional flexibilities to operationalize and support the mandate.
- In December 2021, EXIM implemented an *Interim Framework for Managing Country Limitation Schedule Exceptions for Transactions Related to EXIM's China and Transformational Exports Program*.
- In January 2022, EXIM established a framework and methodology to analyze the U.S.'s comparative leadership in the Transformational Export Areas, to focus CTEP resources, measure EXIM's progress over time, and gauge the U.S. position relative to the People's Republic of China.
- In October 2022, EXIM provided internal guidance that Transformational Export Area transactions with sovereign governments in non-high-income markets may be considered for a 95 percent financed amount (five percent cash payment), in keeping with the OECD's Common Line agreement.
- In January 2023, EXIM's Board of Directors approved a Policy Clarification for 5G transactions.
- In September 2023, EXIM updated staff guidance originally created in August 2021 regarding the establishment and implementation of the process for identifying and confirming TEA eligibility, to describe the determination process and the internal coordination of roles.
- During the past two years, EXIM has begun the process of integrating above guidance into the automated review and business rules in its online application platform, EXIM Online (EOL), to ensure consistent, automated application of the established roles and responsibilities for the determination, identification and reporting of both Sec. 402(A) and 402(B) transactions processed in EOL.
- In November 2023, EXIM codified policy regarding issuance of CTEP letters to project developers seeking indications of eligibility under the CTEP mandate (independent of EXIM's standard letters of interest).
- In December 2023, EXIM submitted its four-year Report to Congress on the Transformational Export Areas with an update of EXIM's implementation of the CTEP mandate.

Regarding the recommendations set forth in the OIG report, EXIM's responses are as follows:

Recommendation 1: EXIM's Office of the Chair, in coordination with the China and Transformational Exports Program (CTEP) office, should establish policy and procedures that clearly define the authorities, roles, and responsibilities across EXIM for CTEP implementation.

Management response: EXIM concurs with this recommendation. EXIM's Office of the Chair will work with CTEP and other internal stakeholders to ensure that policy and procedures clearly define the authorities, roles, and responsibilities across EXIM for CTEP implementation.

Recommendation 2: EXIM's Office of the Chair should provide direction to the China and Transformational Exports Program office and the Office of Policy and International Relations on resuming development of a framework to implement the Content Policy Flexibility for Transformational Exports Memorandum, as previously directed by the Board of Directors in December 2020.

Management response: EXIM concurs with this recommendation. EXIM's Office of the Chair will work with CTEP, OPAIR, and other internal stakeholders on resuming development of a framework to implement the Content Policy Flexibility for Transformational Exports Memorandum, as previously directed by the Board of Directors in December 2020.

Recommendation 3: EXIM's China and Transformational Exports Program (CTEP) office, in coordination with the Office of the Chair, should review the functions, roles, and responsibilities of program officials and determine whether the program is sufficiently staffed and whether obstacles exist for recruitment and retention.

Management response: EXIM concurs with this recommendation. EXIM's CTEP office, in coordination with the Office of the Chair, will review the functions, roles and responsibilities of program officials and determine whether the CTEP office is sufficiently staffed and whether obstacles exist for recruitment and retention.

Recommendation 4: EXIM's China and Transformational Exports Program (CTEP) office should establish a performance management framework, including measurable goals and indicators to assess program success and progress in achieving its intended purpose.

Management response: EXIM concurs with this recommendation. EXIM's CTEP office will continue to improve upon the existing performance management framework by using the past few years of operational experience to refine the CTEP performance management framework to provide additional clarity and a defined approach for the agency to achieve the mandate's intended purpose.

Recommendation 5: EXIM's China and Transformational Exports Program (CTEP) office should assess how existing policies and practices may be adapted to maximize CTEP's effectiveness and potential including whether the program has the necessary tools it requires to address Transformational Export Areas and then develop a plan to implement these policies.

Management response: EXIM concurs with this recommendation. EXIM's CTEP office will continue to assess what existing policies and practices need to be adapted to maximize CTEP's effectiveness and potential, including whether the program has the necessary tools it requires to address Transformational Export Areas, and then develop a plan to implement these policies.

If the OIG has any questions, comments, or concerns regarding the above management responses to your five recommendations, we would be pleased to make ourselves available for a discussion.

Thank you again for your review of EXIM's CTEP mandate.

CC:

The Honorable Reta Jo Lewis, President and Chair of the Board of Directors

Brad Belzak, Senior Vice President and Chief of Staff

Ben Widness, Senior Vice President of Congressional and Intergovernmental Affairs

Hazeen Ashby, Deputy Chief of Staff and White House Liaison

Larry Decker, Senior Advisor to the President and Chair of the Board of Directors

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James Coughlan, Senior Vice President and General Counsel

Lark Grier-Hapli, Deputy General Counsel

Sergio Fontanez, Senior Advisor on National Security

Tomeka Wray, Deputy Chief Management Officer

Michaela Smith, Director of Audit and Internal Controls Programs

APPENDIX C: ABBREVIATIONS

Board	Board of Directors
BRI	Belt and Road Initiative
Content Policy	Content Policy Flexibilities for Transformational Exports Areas Memorandum
CTEP	China and Transformational Exports Program
CLS	Country Limitation Schedule
China EXIM	Export Import Bank of China
CY	Calendar Year
EXIM	Export-Import Bank of the United States
ECA	Export Credit Agency
FY	Fiscal Year
GAO	U.S. Government Accountability Office
OIG	Office of Inspector General
OPAIR	Office of Policy Analysis and International Relations
OMB	Office of Management and Budget
PRC	People's Republic of China
Sinosure	China Export and Credit Insurance Corporation
SVP	Senior Vice President
TEA	Transformational Export Area

APPENDIX D: OIG TEAM MEMBERS

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If you fear reprisal, contact EXIM OIG's Whistleblower Protection Coordinator at
oig.whistleblower@exim.gov

For additional resources and information about whistleblower protections and unlawful retaliation, please visit [the whistleblower's resource page](#) at [oversight.gov](https://www.oversight.gov).